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Consumer health fair takes Utah spotlight

For the sneezin' season, chains are plannin big

Meat outlook:
More lean days ahead

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

November 1980

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Has Giant created the ultimate combo store?

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Chain Store Age
Supermarkets

November 1980

***Although last** to enter the warehouse race, Giant Food's unique Warehouse Values Test Store is off to a fast start .... p. 20.*

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EXPRESS CHECKOUT

Billboards post super savings

"When you've got it, flaunt it," is the theory behind a new signage program recently started by Ralphs Grocery Co., Compton, Calif.

.79
Ralphs
Country Fair

To dramatize low prices, Ralphs now uses 3-ft. x 4-ft. signs for end-caps and 35-in. x 14-in. posters in its Super Savings Center. An extra plus is that the graphic design of these in-store billboards is a sure-fire customer-catcher, since it attracts shoppers' eyes anywhere on the selling floor.

Trade groups mull merger

The two leading wholesaler trade associations may soon take a cue from their super chain counterparts and amalgamate. Although many hurdles still must be overcome, the National-American Wholesale Grocers Association (NAWGA) and the Cooperative Food Distributors of America (CFDA) have taken the first tentative steps toward eventual merger.

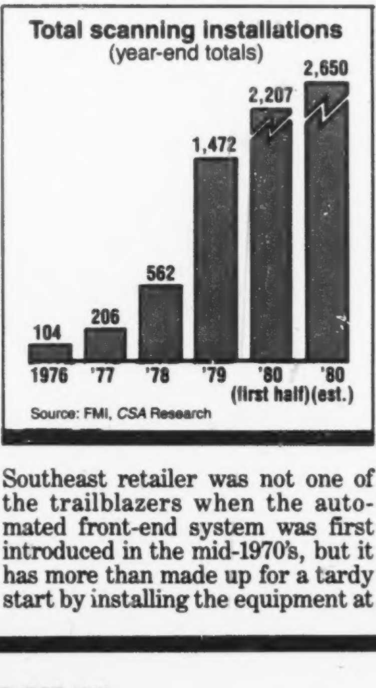
In light of the successful joining of the National Association of Food Chains and the Super Market Institute to form the Food Marketing Institute (FMI), a melding of the two major wholesaler groups appears to be a logical step. NAWGA officials are presently digesting a McKinsey & Co. report on how to improve the association's effectiveness, and a merger with Washington, D.C.-based CFDA would go a long way to giving NAWGA a bigger voice in Capitol Hill policy-making. On the other hand, CFDA, with 68 members, would gain increased clout from the infusion of numbers from 645-member NAWGA, much as NAFC drew strength from SMI's larger base.

Unspoken, but certainly a factor in any drive for a merger, is FMI's success in attracting independent retailers and wholesalers. A united NAWGA-CFDA would present these companies with a more attractive alternative.

Although a feasibility study is under way within both groups, reports had not yet been submitted as *CSA* goes to press. Even if these preliminary investigations give a green light for a merger, however, it is doubtful that it could be accomplished before sometime in 1982.

Winn-Dixie tops scanning list

Winn-Dixie Stores, Jacksonville, Fla., has become the first chain with more than 200 scanner-equipped supermarkets. The Southeast retailer was not one of the trailblazers when the automated front-end system was first introduced in the mid-1970's, but it has more than made up for a tardy start by installing the equipment at a breakneck pace over the last 18 months. Other chains with more than 100 installations are Publix (146), Kroger (146), Giant (121) and Alpha Beta (102).



Source: FMI, *CSA* Research

NCR has taken a significant lead over archrival IBM in terms of number of systems installed. NCR currently has 794 systems on-line, 36.0% of the total, vs. 739 systems for IBM.

A&P testing new strategy

And here it is . . . the latest merchandising campaign to get volume growing at the Great Atlantic & Pacific Tea Company. Chairman James Wood is betting that "At the new A&P, we watch our Ps and Qs" [price and quality] will triumph where WEO, "Price & Pride" and "the Man in the Red Jacket" failed.

"A&P must lose the high-price image," declares Wood. The revamped strategy will have the Tea Company meeting the competition's prices on the 1,000 fastest movers and staying in the ballpark on the rest.

Field testing is already under way in the two New Jersey regions of the chain's New York Metro division. If successful, it will be extended to the Metro division's Long Island and Bronx regions by the end of the year, with further expansion to other A&P divisions tentatively planned for spring 1981.

New Jersey, where Pathmark and ShopRite hold sway, should provide a trial by fire for this aggressive merchandising thrust. If the Montvale, N.J., retailer can stay competitive here, it can move the program into other divisions with confidence.

In explaining the plan, Wood stressed that A&P would only meet, not undercut, rivals, This is, presumably, meant to soothe other operators and head off the possibility of price wars such as WEO sparked a decade ago.

Other elements of the plan include beefing up the work force at test stores, less emphasis on private label and a continuation of the "Action Prices" program under the new name of "Green P Prices."

Demand for beef nosedives

Just when everyone—suppliers, supermarketers and especially shoppers—thought they finally had a handle on the complex beef situation, the rules of this high-stakes game have suddenly started to change. An unexpected shift in consumer product preference has already caused many retailers to reallocate space in the meat case and threatens to force even more dramatic changes in meat merchandising strategy over the next couple of years.

What has happened is that Americans are buying and eating less beef. No one can yet say whether the change will prove permanent, but there's no denying the fact that people are downgrading beef in favor of pork, poultry, fish and vegetable protein in their daily diets.

Last year provided a rude awakening for cattle raisers who thought consumers had sworn eternal love to steak and hamburger. The U.S. Department of Agriculture reports that per capita beef consumption deflated 10.4% in 1979, dropping from 120.1 lb. to 107.6 lb. per person. The average American hasn't eaten so little beef since back in 1967. The only intervening year with a consumption level even remotely as low was 1973—109.6 lb. per capita. And that total occurred at the height of the disastrous period during which many irate shoppers revolted against spiraling beef prices by boycotting the supermarket meat case.

Concerns over health and cost force per capita consumption to lowest level since '67

Price doesn't appear to be the major issue this time. To be sure, beef retails rose markedly in 1979, ballooning to $2.26 per pound for the typical choice cut. Yet the move away from eating so much beef has continued unabated through the current year, despite the fact that prices have increased only moderately.

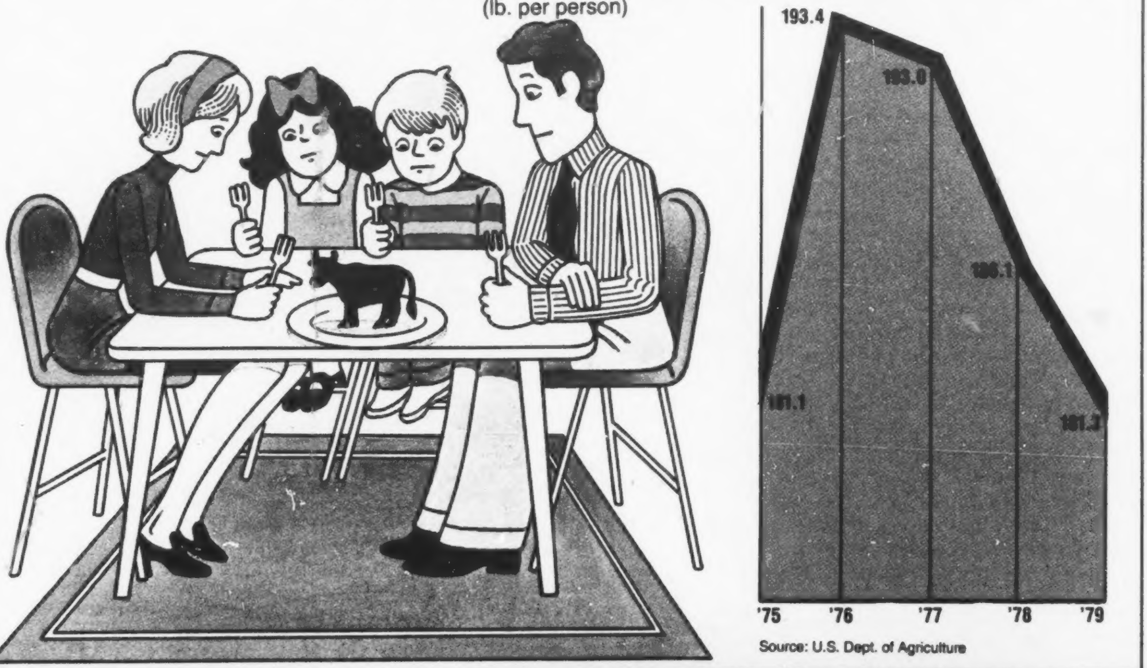
There are several possible reasons prodding people to substitute other protein sources for beef at some meals:

- Worry about cholesterol. The "heavy" beef cuts traditionally favored by consumers—choice and prime—are relatively high in fat content. Though the relationship between animal fat and various ailments is still a subject of medical debate, many people have deemed it wise to reduce their intake.
- Availability of better-priced alternatives. Pork and poultry in particular have been plentiful during the last couple of years. Attractive prices have contributed to a renaissance for pork, and most of that additional tonnage is coming at the expense of supermaket beef volume.
- Increased sophistication about food. The current gourmet cooking craze is shattering the United States' "meat and potatoes" image. Dishes drawn from foreign cuisines that make much more sparing use of red meat are replacing the 1-lb. New York cut sirloin steak on some dinner plates.

Softening consumer demand collided with a relatively bountiful supply of fed cattle during first half

Meat consumption drops for third year

(lb. per person)



Source: U.S. Dept. of Agriculture

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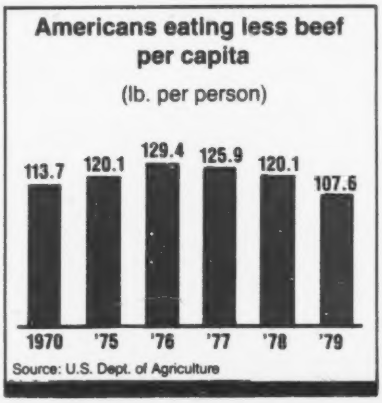
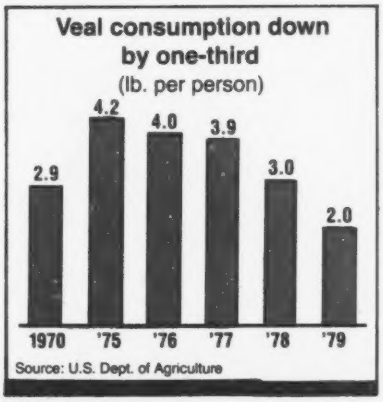
Demand for beef nosedives





Meat prices rise faster than food
(1967 = 100.0)

	1975	1976	1977	1978	1979
All items	161.2	170.5	181.5	195.4	217.4
All food	175.4	180.8	192.2	211.4	234.5
Food at home	175.8	179.5	190.2	210.2	232.9
Food away	174.3	186.1	200.3	218.4	218.4
All meats	177.9	178.2	174.2	206.8	241.9
Beef & veal	170.0	164.5	163.6	201.0	255.8
Pork	196.9	199.5	188.8	213.1	216.4
Other	168.5	178.4	177.3	208.8	239.5

Source: U.S. Dept. of Labor

1980 to produce fairly stable wholesale and retail prices. Supermarket choice beef retails averaged $2.32 during second-quarter 1980, a little less than the first three months of the year or the comparable quarter of 1979. The delayed marketing of cattle from which the DES implants had to be removed made June's production especially large.

Because the dampening effect of huge supplies of alternative meats should lessen during the second half, retail prices for beef can be expected to rise. The fourth quarter should see retails hovering in the $2.47-$2.49 range.

A U.S.D.A. survey of the seven major cattle-producing states shows that feed lot placement remained below normal during the first half. The number of cattle on feed lots in June was the lowest since 1975. This should drastically lower fed cattle marketings during the July-January period.

Increased fed-cattle prices and perhaps a better economic climate are expected to spur placements of cattle on the nation's feed lots during the second half of this year. Thus beef ought to be somewhat more plentiful during the first half of next year as this bumper crop comes to market. ☐

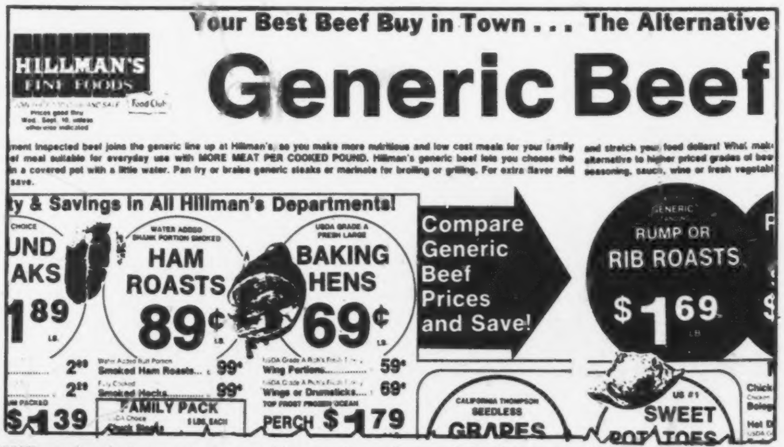
Generic beef a 'natural'

Hillman's is taking "no frills" to the logical next step by adding a line of generic beef steaks and roasts to the Choice grade items it already sells in its Chicago, Ill., trading area. The super chain, which previously scored Second City firsts with generic produce and frozen foods, is offering a selection of basic cuts produced from Government-graded and inspected Utility cows.

The generic beef is a lot leaner than Choice, but as Hillman's chairman John W. Loeb freely admits, it is also tougher and less tasty. The retailer is promoting sales of this lower-priced alternative by distributing cooking tips that tell shoppers how to get the best results from this economical beef. For example, the steaks are best when panfried or braised and must be marinated overnight to make them suitable for broiling or grilling.

"To show Hillman's confidence in this product, we're offering a full refund to any unsatisfied customer," explains Loeb. Noting that every cut may not be available at all times because the chain must purchase generic beef in whole cows, the ceo added, "From time to time, customer demand may exceed the balance between steaks and roasts, but a full line will be available most of the hours we're open."

Savings vary, but are fairly substantial in all cases. For example, a Choice club steak sells for $3.99 per pound while the same generic beef cut is only $2.89 per pound. Similarly, a Choice rib roast retails for $2.59 per pound, while a generic rib roast is priced at $1.69. ☐


Your Best Beef Buy in Town . . . The Alternative

HILLMAN'S FINE FOODS

Generic Beef

ment inspected beef joins the generic line up at Hillman's, so you make more nutritious and low cost meals for your family and stretch your food dollars! What make
ef meal suitable for everyday use with MORE MEAT PER COOKED POUND. Hillman's generic beef lets you choose the alternative to higher priced grades of beef
n a covered pot with a little water. Pan fry or braise generic steaks or marinate for broiling or grilling. For extra flavor add seasoning, sauce, wine or fresh vegetabl
save.

Hillman's ads trumpet eye-catching savings of generic beef over regular prices.

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ITALIAN STYLE
PORK SAUSAGE
LB
$1.19

***Supermarkets** are reflecting latest consumption trend away from beef by giving more display space to pork.*

Low prices put pork in super spotlight

In these days of rampant inflation and widespread worry about soaring food prices, it's a pleasant surprise to discover something that is actually cheaper now than it was a year ago. One of the few products successfully bucking the prevailing trend is pork. Despite a rapid rise in consumer demand, which would ordinarily signal the arrival of higher retails, Americans are paying less for principal pork cuts today than they were in 1979. Earlier this year, the differential climbed to as much as 21¢ per pound in some parts of the country.

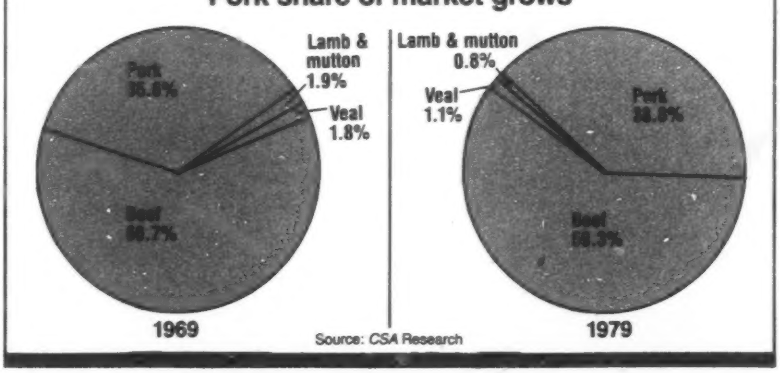
Reflecting a 15% jump in production during first-half 1980, May's Consumer Price Index showed prices down 7.1% since Jan. 1, 1980, and 13.7% below the same month of the previous year. In fact, when the effect of inflation is taken into account, the "real" price of pork at the current year's midpoint was an astounding 25% below prior year levels. This is the lowest "real" retail price for pork in the last quarter century.

The price of cash hogs in Omaha fell even more precipitously over the same period, reaching a low of $30 per cwt. in April-June. Despite numerous predictions of continued bumper production by U.S.D.A. analysts and other market observers, cash hog prices rebounded quite strongly over the summer, up to $50 per cwt. by September.

Blame the higher prices on the Great Heat Wave of 1980. Besides adversely affecting feed crops such as corn, the record hot spell rendered all forecasts obsolete. The warm weather had two main effects on the pork business:

1. The heat arrested the growth of young pigs. They didn't actually shrivel up in the heat, but they didn't add weight at the proper pace, either.

2. Hot weather makes the boars less fertile. This could well cut into pork marketings this winter as fewer animals come to slaughter from what will probably turn out to be a below-average birth period.


Pork share of market grows

Source: *CSA Research*

Big supply holds pork prices down
(price per lb.)

	1975	1976	1977	1978	1979
Loin chops	$1.92	$1.88	$1.86	$2.06	$2.13
Sirloin roast	1.33	1.34	1.23	1.44	1.52
Sliced bacon	1.83	1.52	1.40	1.08	1.45
Whole hams	1.19	1.19	1.14	1.28	1.30

Source: *CSA Research*

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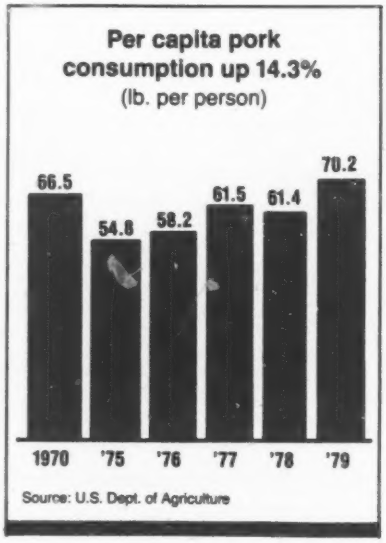
Pork in super spotlight

More immediately, the government's guess that pork supplies will be 7% higher than in 1979 now looks a bit too optimistic. An increase of 1%—or even a slight fall-off from the previous year—is much more likely. Supplies of competing meat items, principally beef and poultry, should tighten somewhat, which will also act to shore up pork prices at all levels of the food distribution chain.

Despite the highest per capita pork consumption since the beef-pork World War II era, 70.2 lb., pork may run into softening consumer demand due to the ongoing recession. Undoubtedly, raisers will try to cut down production accordingly, but the lead time between such a decision and a measurable effect on supply can be as long as 17 months as a result of the animal's growth cycle.


Per capita pork consumption up 14.3%
(lb. per person)

Source: U.S. Dept. of Agriculture

Currently, signs point to a sharply reduced pork supply by mid-1981. The June 1 breeding inventory, instead of showing the customary increase over the previous December, fell 100,000 head short. Farrowing (breeding) intentions are also off 8%. This suggests first-half 1981 pork production about 10% below the comparable period of the current year.

Suppliers will also try to firm up demand with some promotion aimed at shoring up pork's image with the public. Ads will stress the fact that pork is not fattening nor as high in cholesterol as some consumers may think, while extolling pork's value as an economical source of protein. □

Heat wave decimates poultry

Ask the man who knows about
POULTRY
PERDUE
49
PERDUE
Poultry, a favorite of low-income shoppers, may not be as plentiful or cheap in 1981.

Call it the case of the phantom chickens. A lot of the bird that the experts expected would reach retail poultry display cases during second half 1980 never got there.

Earlier this year, the U.S.D.A. had optimistically predicted that availability of broilers would essentially continue at previous-year levels with wholesale and retail prices to match. Instead, during the third and fourth quarters, supermarket operators and their customers found themselves facing a significantly tighter supply situation and a wholesale cost up to 10¢ per pound higher.

Blame the weather. The effect of last summer's heat wave on humans made banner headlines, but the relentless 100-degree temperatures also had a near-catastrophic impact on the chicken population.

Approximately eight million birds, equivalent to 1% of total third-quarter production, succumbed to the heat. This loss came at a time when many poultry raisers were already embarked on a program of reducing their output of broilers. July hatchings fell 2% below the same month of 1979, slaughter weight dipped 3% and total production lagged 8% behind the comparable period of the previous year. As a result, the wholesale price of broilers surged from 39¢ a pound on June 1 to 59¢ a pound on July 15 before settling down to a more modest 43¢.

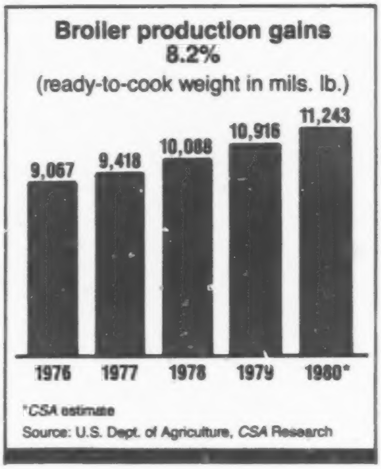
More important for the long pull, believes U.S.D.A. analyst Alan Baker, is that the heat killed an estimated 1.1 million breeding hens. This will drastically reduce potential production at least through first-quarter 1981. Although broilers are raised on a relatively short 11-week cycle, "grandparent" stock—the chickens that hatch the chickens that hatch the broilers sold in supermarkets—was particularly hard hit.

Tighter supplies and prices are in

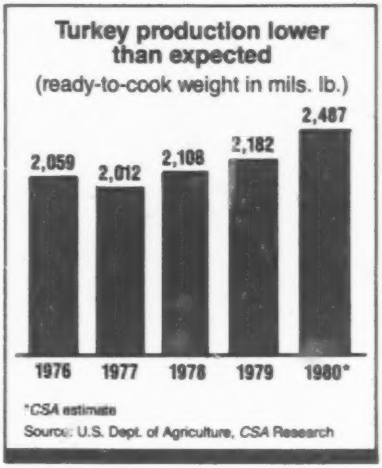
Heat wave decimates poultry

the offing for 1981. Production is expected to drop 3% during the first half, causing wholesale prices to hover in the 51¢-53¢ range.

There won't be as many Thanksgiving turkey bargains as some retailers might have anticipated during first-quarter 1980. In the January-June 1980 period, record production, huge reserve stocks, lower prices on competing meats and the usual seasonal weakness in consumer demand combined to drive turkey prices about 12¢ per pound below the first six months of 1979. The summer heat disrupted things enough to send prices ballooning during the third quarter—about 3¢ per pound over last year. ☐


Broiler production gains 8.2%
(ready-to-cook weight in mils. lb.)

*CSA estimate
Source: U.S. Dept. of Agriculture, CSA Research

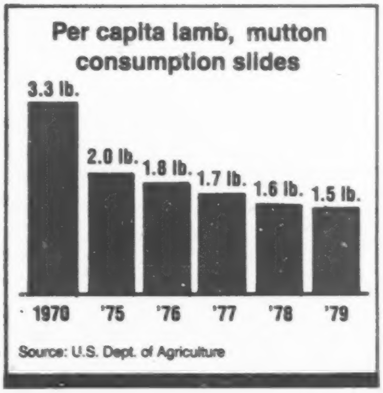

Turkey production lower than expected
(ready-to-cook weight in mils. lb.)

*CSA estimate
Source: U.S. Dept. of Agriculture, CSA Research

Lamb picture turns darker

One single, inescapable fact sums up the current lamb situation in this country: Americans ate less than half as much lamb last year as they did as recently as 1972. And per capita lamb consumption slipped still another small notch in 1979, dipping to 1.5 lb. per person from the previous record low point of 1.6 lb. recorded in the previous year.

Wide-ranging promotional efforts mounted by the Lamb Council (on behalf of domestic producers) and the New Zealand Lamb Company (representing the most important source of foreign lamb) have thus far fallen on deaf ears. Outside the traditional Northeast bastions of lamb popularity like New York City, the usually swayable public has displayed surprising resistance to tempting invitations to sample various lamb cuts.


Per capita lamb, mutton consumption slides

Source: U.S. Dept. of Agriculture

What market there is is two-tiered. Due to production efficiencies, lamb from New Zealand in frozen form is priced lower than domestic and is favored by budget-minded shoppers. U.S. output, sold fresh, has a lock on the upscale end of the business.

Imports, which actually rose slightly in 1979, currently account for about 15% of the total lamb supply. United States production continues to fall, dropping under 300 millions lb. for the first time. (Reportedly, individual plants in New Zealand process as much lamb per day as the entire United States lamb industry.)

With retail prices still rising despite weak demand, it is hard to make positive predictions about lamb. Certainly, with loin chops hovering at the $4-per-lb. mark, this is not a meat likely to get new business from shoppers scared off by high prices for other meats. ☐

Wholesaler course covers meaty topics

Store managers, meat department supervisors and first cutters are getting an intensive education in the fine points of meat retailing through a special three-day workshop course developed by McLain Grocery Co., Massillon, Ohio.

Conducted by Ron Kapcsos, a 23-year veteran of the business, the course is limited to 14 students at a time so that each receives intensive and personal instruction. "The three days of learning are designed so that everyone walks out able to go to the store and immediately implement what he's learned without any problems," says teacher Kapcsos.

The program was developed after two years of studying the meat department, and the meat scholars make use of special instructional materials created by McLain for this course. Each part of the course is covered by an individual self-instruction guide complete with pictures, forms and solutions to the most frequently encountered problems.

Each 9 to 5 class day is devoted to a single major topic. The first day's lesson focuses on the cutting test. Kapcsos shows his pupils how to evaluate such a test and how the information it generates can help the meat manager determine salable yield, retail prices and proper merchandising.

How to determine profit on meat ads is the principal topic on the workshop's second day. One of the key points treated is how to project total meat department profit *before* finalizing retail prices.

H&BA arms for cold war

Self-medication trend helps supers lead billion-dollar cold remedy category

Sales of products for cold symptom relief reached $393 million in supers last year.

No one is immune to the miseries of the cold season. The appearance of Jack Frost sets virtually everyone looking for a product to relieve or prevent woes ranging from sneezes and sniffles to dry, chapped skin. And the place they're looking for help is the supermarket.

Shoppers spent $642.12 million in supers last year on cold symptom relief, pain relief, vitamins and tonics, and creams and lotions—and last winter was a mild one. The cold weather many forecast for this winter could mean a real bonanza for retailers who are prepared to supply the cold season's shoppers with cough syrup and vitamin C—at gross margins as high as 35.1%.

Self-medication is probably the biggest reason for the boom in over-the-counter drugs. With money tight, people are less inclined to run to the doctor with a sore throat or stuffy head. Instead, they stop at the health and beauty aids section of their supermarket. After all, they're there between two and three times a week to buy food anyway. No one wants to waste expensive gas to drive to the drug store, and time is as tightly budgeted as money in these days of working wives and mothers.

Cold comfort: Millions of people will have to search for relief from cold symptoms as long as there's still no cure for the common cold. For the past few years, the biggest movers in the cold relief category have been the multisymptom preparations. Brands such as Co-Tylenol and Comtrex are attracting consumers away from many of the products designed to treat only one or two of the discomfits caused by colds. Joseph Morano, vice president, Bristol-Myers, claims that Comtrex is the only cough and cold product showing unit growth. Morano adds that with drug stores often shrinking their H&BA sections in order to diversify, supermarket sales are becoming more and more important. He notes that Bristol-Myers is now designing food store programs for Comtrex, and says that they're anxious to see more preplanning to avoid out-of-stocks, as well as greater use of shelf extenders and displays during the cold season.

One retailer who supports the idea of using simple yet effective promotions to keep the category active is A&P. James Staeb of the Tea Company says that shelf extenders and cross-merchandising increase sales during the cold season. Tying in cold symptom relievers with such items as tissues and canned orange juice keeps A&P's cash registers ringing.

Established brands aren't taking the success of relative newcomers like Comtrex lying down, however. Menley & James has increased Contac's decongestant content by 50% and antihistamines by 100% to reach maximum allowable dosages. Vicks has repackaged DayCare liquid and introduced a capsule version of the product. Vicks' Nyquil continues to do very well, and, says the company, overtook Contac and Dristan in the 1979-80 cold season.

Other manufacturers that tradi-

H&BA arms for cold war

Aspirin Users!
FREE
TYLENO

***Special** endcap displays are increasingly popular merchandising technique.*

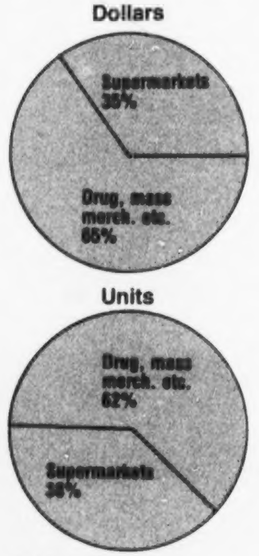
tionally dealt only with drug stores have also joined the present swing toward supers. Terry Stevens of Burroughs Wellcome flatly states that now "supermarkets dominate the cold industry." He says that according to Towne-Oller figures, their Sudafed is the No. 1 tablet in drug stores and that supermarketers are showing increased interest. Stevens adds that his company, which only recently moved over from ethicals, views its "professional image" as an asset, which it expects will also reflect well on new Sudafed cough syrup.

Dorsey Laboratories is another cough syrup producer that sees steady growth in supers. Triaminic became available to nondrug outlets only last year, and it is one of the few brands that is increasing market share.

The top contenders in the cough syrup arena are Vicks and Robitussin. By the end of the last cold/flu season, Vicks, with Formula 44 and 44D, and the four major Robitussin products were dividing about one half of the business. Robitussin is another johnny-come-lately to supermarkets, having only joined the battle for food shoppers' dollars three years ago.

Supers' share of cough/cold sales increasing

(tablets, capsules only)



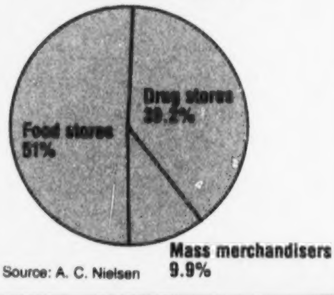
Source: *CSA* Research

Total retail cough syrup volume in all outlets is now about $275 million, up 10% from last season. This makes it one of the fastest-growing H&BA categories, and the trend shows no signs of slowing down.

With liquid, capsule and tablet cold relievers producing about $400 million in retail sales, the addition of such items as nasal sprays may well make this the largest H&BA category in all outlets, topping $1 billion.

Pain relievers: Sales of internal pain relievers in supermarkets hit a hefty $418.42 million in 1979, up 29.57% from the previous year. With an average gross margin of 24.5%, that meant healthy profits for supermarketers.

Headache remedies sell best at supers



Source: A. C. Nielsen

The A. C. Nielsen Co. now shows food stores responsible for 51% of headache remedy volume and 47% of the sinus headache remedy category. Supermarkets have grabbed these sales from drug stores and other outlets by increasing category space and capitalizing on promotions.

One product with climbing sales and even faster-than-average growth in supers is Bayer aspirin. In the face of constant pressure from private label and generic brands, which have found aspirin one of the few vulnerable internal medications, Bayer has managed to increase its market share. Peter DiCrecenzo of Glenbrook Labs, makers of Bayer, notes that the product does "extremely well" during the cold season and forecasts a resurgence of aspirin use for cold relief. Although he sees the paradox of this trend in light of the recent success of multisymptom cold relievers, DiCrecenzo points out that each type of product seems to appeal to different kinds of consumers. Aspirin users may be part of a "back to the basics" trend.

Bill Lynch, national sales manager for Tylenol, predicts this cold season will bring more liquid *and* capsule formulations into the marketplace. Capsules, which usually represent an "extra strength" formula, have captured a large segment of the market. Extra-Strength Tylenol is in the forefront of this movement.

Another extra-strength capsule doing well is American Home Products' Anacin Maximum Strength Capsules. Joining the fray this fall is Excedrin Extra-Strength Capsules. Interestingly, the Bristol-Myers entry is backed by a heavy ad campaign largely geared toward women between 18 and 34, the largest demographic group among supermarket shoppers.

Certainly no one is ignoring self-medication in this area, either. This extension of the "do-it-yourself" trend has both retailers and manufacturers expecting sales to climb, with those in supermarkets moving at a faster rate than anywhere else.

Vitamins: Many people perceive vitamins as preventative of the ills associated with the cold season, in terms of establishing better health in general and specifically in preventing colds. Although the value of vitamins in preventing or curing

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H&BA arms for cold war

Tie-in of creams and lotions with "medications" completes cold season section.

colds is still a matter of controversy, it seems the general public has made its decision—or at least isn't taking any chances. C is what's hot.

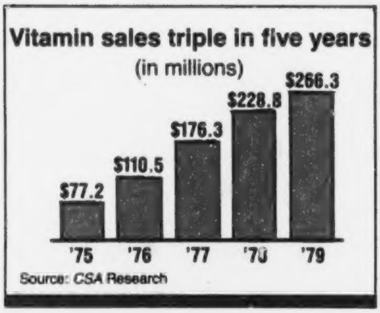
Jim Martin Jr., president of Vita Fresh, points out that the trend now is toward C in higher dosages. Two to three years ago, he reports, vitamin C in 250mg tablets was the biggest seller. Today, 500- and 1,000-mg dosages are racking up the big movement.

Multivitamin producers aren't ignoring C, either. Miles Labs has added a Flintstones with Extra C to their successful children's chewables line, and One-A-Day C500 for adults. A. H. Robins' Albee C800 also hopes to appeal to consumers who want extra vitamin C but who already also take a multiple vitamin.

Creams and lotions: Both medicated and beauty creams and lotions are categories to watch. Thompson Medical Co. is promoting analgesic Aspercreme with a $4-million advertising campaign, redesigned packaging and two new sizes.

Cold weather sees many consumers searching for products to relieve dry and chapped skin. In 1979, sales of these products in supermarkets jumped a hefty 49.89%. Many manufacturers offer promotions to tie-in with the onslaught of bad weather. Nivea Moisturizing Creme and Lotion, for example, is repeating a 1979 bonus merchandise pack promotion.

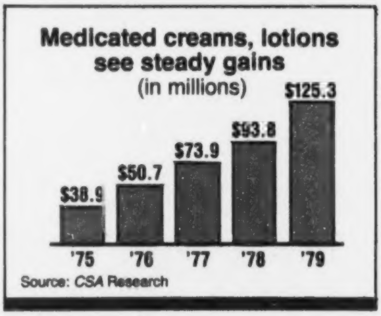
Cross-merchandising creams and lotions with the other three cold season movers could make sales soar past the $187.68 million supermarkets produced in 1979. ☐



Vitamin sales triple in five years

(in millions)

Source: *CSA Research*



Medicated creams, lotions see steady gains

(in millions)

Source: *CSA Research*

N.Y. super ready for "Sneezin' Season"

In Syracuse, N.Y., where the cold and flu season starts with October's snowfall and ends with the showers of early May, Jerry Frat, the nonfoods buyer at P&C Food Markets, has devised a system that makes the most of his captive market.

Frat's merchandising plan begins way back in August when he sends all P&C managers a "Sneezin' Season" survey kit, a booklet containing information on 15 different cold remedy and cough products. Included is a photograph of the shipper display, details on the season's promotional offers and advertising plans, and the date goods will be available.

For example, available in September was a 48-pack Robitussin shipper with a wholesale cost of $79.20, pegged at a 39% margin. Managers read that Robitussin planned to advertise heavily on television, in professional journals and in women's magazines. A 36-pack shipper of Novahistine, wholesaling for $84.24, was available in October. A free Multiple Vitamins mail-in offer accompanied the cough and cold serum display. Using this kind of information, managers put together their product mix.

Thomas McKeowan, a P&C manager in Wynantskill, N.Y., a rural area just outside Troy, attributes his last year's 25% increase in sales to the Sneezin' Season program. When McKeowan receives the shippers he sent for, an endcap display is set up for two 10-week periods—October to mid-November and January to mid-March. In between those dates, P&C leaves room for holiday promotional sales.

The shippers come from P&C headquarters with hanging signs and easels for McKeowan to set up his own POP signing program. The "mammoth endcaps," as McKeowan calls them, are composed of half a dozen cold remedy shippers around which canned orange and tomato juice are stacked. Private label facial tissues and EXCEL, P&C's private label vitamins, complete the Sneezin' Season program.

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Jewel to merge with Sav-On

Jewel Cos. is finally getting to the altar with a drug chain. A longstanding desire to strengthen its position in the lucrative Sunbelt region is the prime impetus behind Jewel's third merger try in as many years. Thwarted in its previous attempts to join with Skaggs and then Pay Less Drugs, the Chicago, Ill., retailing giant is finally closing in on a takeover deal with Anaheim, Calif.-based Sav-On Drugs.

Even this move, the ultimate success of which depends on which way the Call family will jump with its approximate 50% interest in Sav-On, hasn't gone quite as smoothly as Jewel executives would have liked. The company's initial offering of $18 a share reached its Sept. 9 deadline far short of the goal of securing 3,350,000. A 10-day extension had little discernible effect, leaving Jewel with roughly 2,100,000 Sav-On shares in hand.

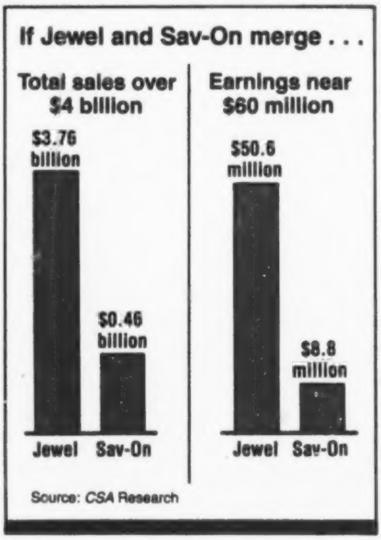
Enter phase two. "We know that a substantial number of Sav-On holders want to receive Jewel stock instead of cash—for tax purposes," claims Larry Howe, vice chairman.

To facilitate the swap, Jewel is issuing $2.31 cumulative convertible preferred stock. Sav-On holders will have the chance to swap one share of the drug chain's stock for 0.72 shares of the Jewel preferred, which has a liquidation preference of $25 and is convertible at the rate of one share of preferred equaling 0.713 of common.

The Call family, descendants of Sav-On's founder, hold the balance of power. Although there was no word on whether they would participate in the stock swap as *CSA Supermarkets* goes to press, it is considered likely that they will take advantage of the buy-out. Most of the Calls active in the business are getting on in years and have reportedly been offered two-year management contracts by Jewel in the event the takeover bid goes through.

In Sav-On, Jewel gets an operator of 140 super drug and home convenience centers in California, Houston, Texas and Las Vegas, Nev.—a known name with a good image in the all-important Sunbelt region. The nation's 10th largest drug operation had sales of $456,169,000 in its most recent fiscal year. Earnings were $8,750,000, down somewhat from the previous year due to a switch to the LIFO method of inventory evaluation.

Jewel has made no secret of the fact that it would like to find a drug chain partner to further develop its combination store program. Profitability is at least twice as high for the combo units as for conventional supermarkets.


If Jewel and Sav-On merge . . .

Source: *CSA Research*

Red ink flows for Tea Co.

Red is the color at the bottom of A&P's balance sheet for the first half ended Aug. 23, and remarks by chairman James Wood indicate that more bullet-biting is in store before the Montvale, N.J., chain once more emerges from the wilderness.

A&P rolled up a $30,897,000 loss for the six-month period while posting a minuscule gain in volume to $3,354,801,000. During the same period of the previous fiscal year, sales were $3,344,262,000, and the chain showed earnings of $8,532,000. The Tea Company achieved its results with 1,530 stores, 21 fewer than it was operating at the halfway point in the previous fiscal year.

Wood pointed out that $9,400,000 of the second-quarter loss is attributable to a provision to cover the projected costs of the employee severance and early retirement program that management hopes will "balance the store labor force." This program, made possible by A&P's recently completed union negotiations, is deemed necessary if the beleagured retailer is to return to a fully competitive position. The operation has been plagued by a surplus of senior store help since the mass closings of the Jonathan Scott regime.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
Allied	Year	6/28	$ 534,833,000	−11.6	$19,795,000	+163.0	3.70
Niagara	Year	6/28	502,155,029	+ 8.2	9,013,406	+ 3.7	1.79
Pueblo	6 mos.	7/26	180,532,000	+13.2	1,893,000	− 0.4	1.05
Stop & Shop	6 mos.	8/13	1,031,925,000	+ 6.7	(2,676,000)	—	—
Sentry	6 mos.	8/23	190,975,000	+ 5.4	1,384,000	− 29.6	0.72
Super Valu	6 mos.	9/6	2,099,557,000	+16.6	26,325,000	+ 24.6	1.25
Conna	3 mos.	6/17	44,270,407	+66.0	787,940	+ 4.5	1.78

Figures in parentheses denote loss Source: Chain Store Age Research

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Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

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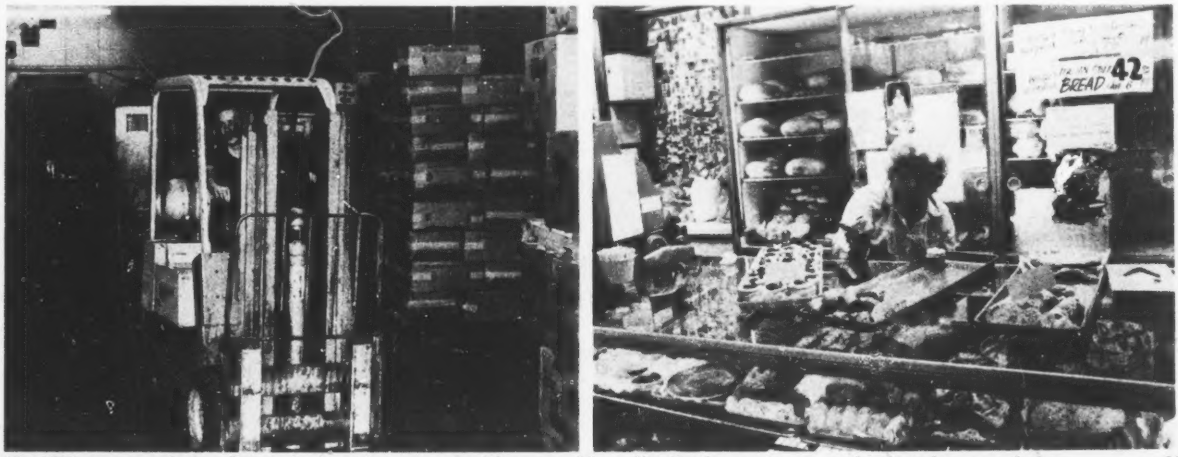

The IGA supermarket: a fixture in American communities, served by a distribution system as sophisticated as any chain .... *p. 14*

Full-Issue Study

The true "hidden giant" of the food business, IGA serves 3,350 independent supermarkets coast to coast through its network of 30 member wholesalers. *CSA* delves into the inner workings of this $6 billion system in this study of one of America's Great Retailing Institutions. 14

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IGA
FOOD STORES

THE HIDDEN GIANT

In the overstored supermarket environment of the 80's the growth edge should lie with voluntary and co-op groups and regional chains. Of course it remains to be seen which voluntary group, cooperative or regional chain will make the greatest inroads. But no food distribution organization appears better structured to boost overall market share than IGA.

IGA, the hidden giant.

Hidden, because unlike the industry's centralized major chains, procurement, operations, and distribution facilities are widely decentralized through the network of 30 member wholesalers.

Not so many years back, newspapers and trade magazines across this country proclaimed the independent grocer was dead.

Chain stores were the wave crest to ride for future growth. There would be too little room left for the single store entrepreneur to survive. That was the word.

Safeway, Kroger, A&P, Jewel, Winn-Dixie, Food Fair, First National . . . these were the *real* growth companies that tonnage-thirsty suppliers should latch onto.

Wholesale distributors were questioning where they'd fit into this chain store-dominated food pipeline. Some gave up. Others merged. The more progressive wholesalers formed alliances.

For most of the 50's, 60's and the first part of the 70's, much of the industry's growth came at the expense of the independent, as predicted. Then, in the middle 70's, economic recession created a vacuum in the retail food distribution system of this country. Chains like A&P, First National, Hills, Allied, Grand Union, Food Fair and National Tea found they lacked the insulation and management disciplines to withstand a set of unfamiliar economic pressures. Their sad stories are history.

But more importantly, the independent grocer quickly stepped in to fill the vacuum left by chain failures. Focusing on the last three years of the soaring 70's reveals a telling story. In 1977 there were 28,269 chain supermarkets in operation. A chain is defined as a multi-store operation of two or more units. A supermarket is defined as a store producing at least one million dollars in sales a year, at least 80% of that in food.

Chain supermarkets in 1977 accounted for 72% of total store real estate. That year single store independents operated 11,100 units and held some 28% of total food store real estate sites. But in terms of sales volume, independent operators carved out only about an 18% piece of the industry pie.

The independent grocer picture brightened somewhat in 1978. The number of chain-operated units dropped back to 27,670 stores as A&P, First National, Food Fair and others retrenched. The independent store count rose to 11,900 units. The single-store independent's share of real estate edged up to over 30% and the slice of the sales pie grew to 20%.

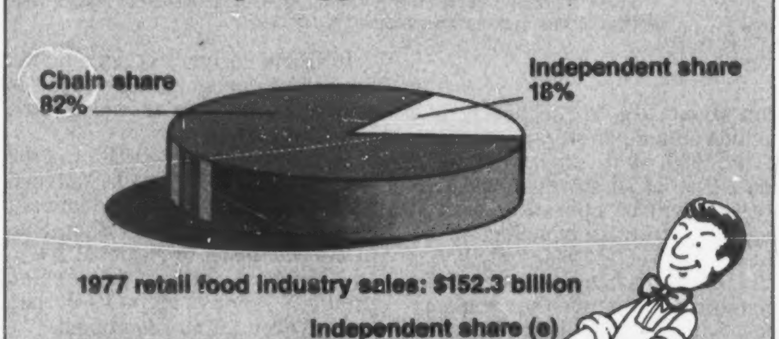
In 1979, of the 39,300 supermarkets in operation, the chains' store count ended up right around the 27,000 mark. Independents added another 500 stores to their ranks. Independents now account for about 32% of this country's store sites. Today, these independent grocers account for close to 21% of total supermarket sales.

Thats a pretty impressive growth pattern. The big question, of course: Can this kind of solid performance be sustained in this decade? Let's look at some of the likely challenges independent and independent chain grocers will face in the years ahead.

An increasing number of price wars are expected. Discount pricing will become commonplace. All types of promotional activities will be stepped up; more cents-off promotions, more continuities, more games, maybe even another round of trading stamps. The number of maverick store formats ranging

IGA and its 30-member wholesalers have welded the disciplines of chain-like buying and operations with the entrepreneurial spirit of the independent grocer. The result: a 3,350-store network verging on $7 billion in sales this year

Today, independent grocers are taking a bigger slice of the pie



Led by co-ops and voluntary groups, such as IGA, independents are picking up added volume from sites once operated by such chains as A&P, Food Fair, First National and Jewel.

Source: CSA Research

from the limited assortment stores like Aldi and Jewel T and Plus to giant warehouse food outlets like Heartland, Barney's, Samson's and Basics Food Warehouse will grow. Various combinations of the full service and no-frill store formats will become market factors.

It's a safe bet to assume margins won't be getting better. The food store operator who can manage to project a low-margin image and at the same time provide a step-up in personalized service in those departments where customers are willing to pay the price will likely end up in the best shape.

With this perspective as a backdrop, where does IGA fit into the 1980's supermarket schematic? For starters, IGA is this nation's most widely spread food distribution network. Today, 30 wholesalers operate 57 authorized IGA distribution centers. These wholesalers service more than 3,300 stores located in 46 states. Last year, these stores cranked out sales of nearly $6.4 billion. That was a 12% increase. It was slightly better than the 9.7% volume gain posted the year before. That performance was better than such major chains as A&P, Winn-Dixie, American Stores, Jewel, Stop & Shop, Fisher Foods, National Tea and H. E. Butt, to mention a few. In fact, only three companies in the United States sold

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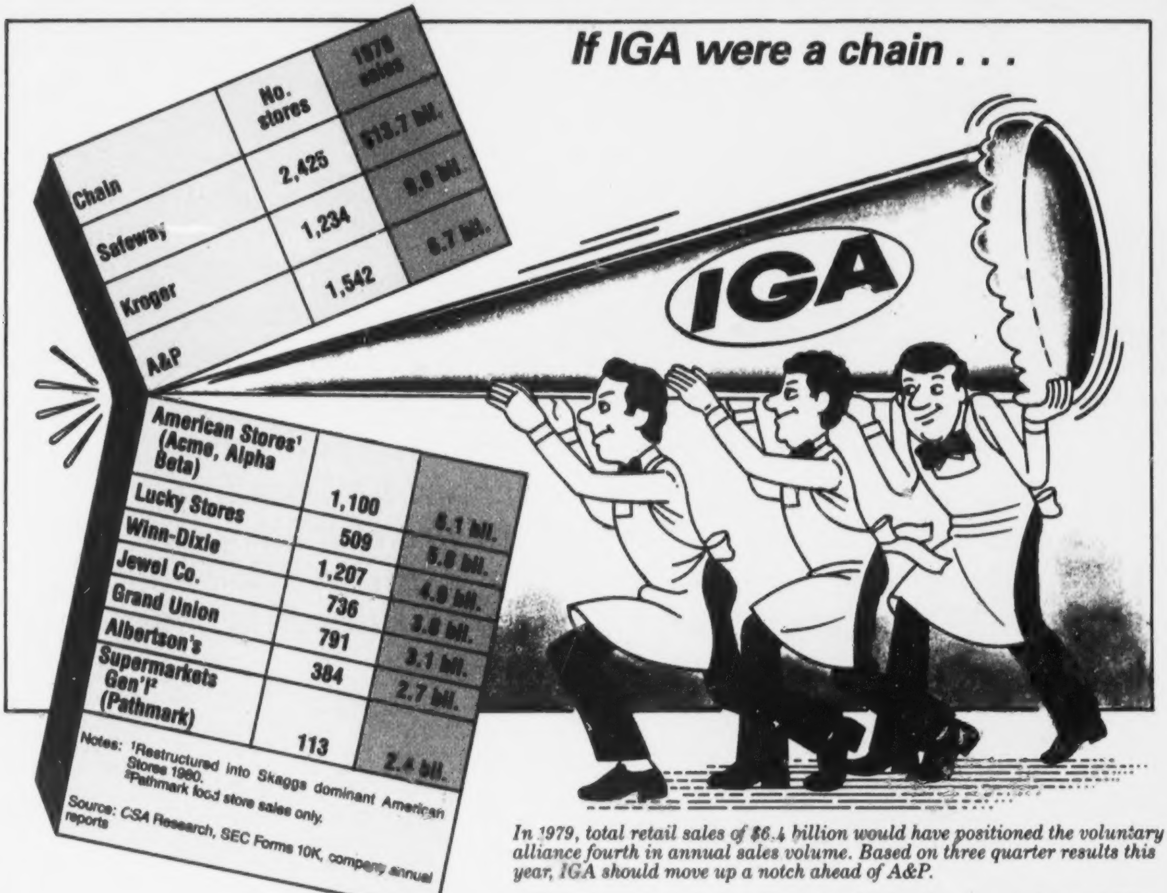
If IGA were a chain . . .
IGA

Chain	No. stores	1979 sales
Safeway	2,425	$13.7 bil.
Kroger	1,234	9.6 bil.
A&P	1,542	6.7 bil.
American Stores[1] (Acme, Alpha Beta)	1,100	6.1 bil.
Lucky Stores	509	5.8 bil.
Winn-Dixie	1,207	4.9 bil.
Jewel Co.	736	3.8 bil.
Grand Union	791	3.1 bil.
Albertson's	384	2.7 bil.
Supermarkets Gen'l[2] (Pathmark)	113	2.4 bil.

Notes: [1] Restructured into Skaggs dominant American Stores 1980.
[2] Pathmark food store sales only.

Source: CSA Research, SEC Forms 10K, company annual reports

In 1979, total retail sales of $6.4 billion would have positioned the voluntary alliance fourth in annual sales volume. Based on three quarter results this year, IGA should move up a notch ahead of A&P.

more food products through checkout stands in 1979 than IGA: Safeway, with United States sales of just over $12 billion; Kroger, with food store sales of slightly more than $8 billion; and A&P with sales of $7 billion. Because of solid sales growth and A&P's continuing restructure, the IGA distribution network inched closer to the Tea Company last year and could pass it this year and rank third in food distribution in the United States.

That's a powerful picture. To capture the full power of IGA requires taking a hard look at the kinds of stores that make up the framework. In 1979, the median sales volume produced per IGA store topped $1.8 million. Translated into sales per week terms, that's nearly $40,000. As larger IGA stores come on line, sales per unit can be expected to rise.

A realistic projection would place average store volume around $3 million a year by the close of the 80's. Using latest United States Government projections to account for inflation, real sales gains will run about 30% of the nearly $1.2 million added per store.

By 1990, it is expected that at least 25% of all stores in the IGA system will be operating with at least 21,000 sq. ft. of selling space. At the close of last year, only 10% of all IGA stores had that much space or more. Making another comparison, while some 20 individual IGA stores crank out sales of $15 million a year and another 40 stores post sales of at least $10 million annually, it is likely that as many as 150 units, or nearly three times as many stores, will fall into this elite category by decade end.

There's another often monitored industry barometer worth looking at: sales per customer transaction at point of sale. How does IGA measure up? Sales per customer transaction rose to a few cents over $13. That's some $2 more than the figure the Food Marketing Institute reports for the food industry as a whole. The $13 figure means at least some 475 million customer purchases were made in IGA stores last year.

It also means more than a billion bags of products bearing one of the several IGA labels moved off the checkout stands.

Here's another way to think of the power of the IGA label. Matched against such private label-dominant chains as Pathmark and Shop-Rite in the Northeast or National Tea in the Midwest, more IGA labeled products were sold in 1979 than those three giants combined.

But IGA is much more than a private label on quality products. It is a total distribution and support system through which the independent and independent chain operator is provided the power to effectively compete with the chain giants.

Because of this uniting power, IGA may well account for 5% of the total food sold in supermarkets by the end of the 80's. During this 10-year time frame, only two companies are expected to account for a greater percentage of food products sold: Safeway, with a projected 8% share; and Kroger, with about 6%. It is unlikely that any other food distribution network will come close. ☐

—John B. Lightfoot Jr.

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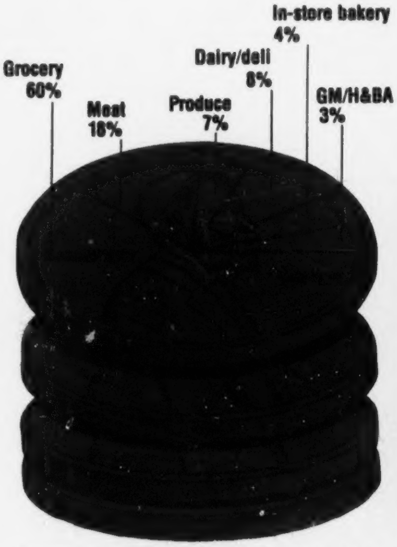
IGA sights set as #3 food distributor

OF AMERICA
K37450215A
ONE
DOLLAR
1

More than four cents of every dollar spent for food in United States supermarkets is rung up at IGA checkstands. Put another way, consumers spend nearly $18 million each day in IGA stores.



Grocery is the core of IGA's volume. With a strong blend of IGA products and nationally advertised brands, grocery volume and gross profitability outpace most supermarket chain competition.

Source: *CSA Research*

PRODUCE
BRACH'S
CANDY BARS
BRACH'S

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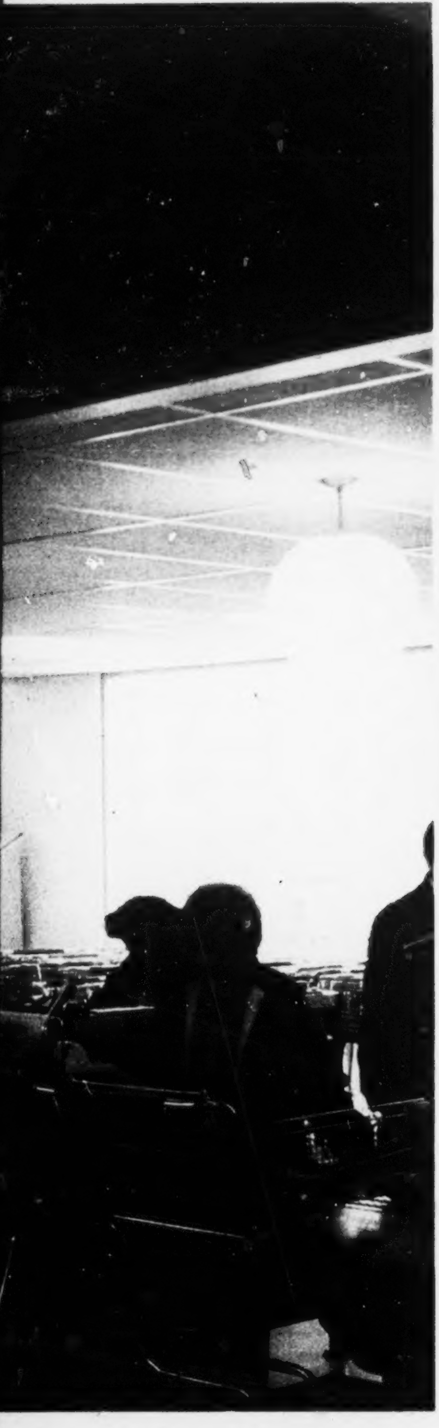
In the past decade the independent store network has moved up to become the fourth largest food distribution system in the United States

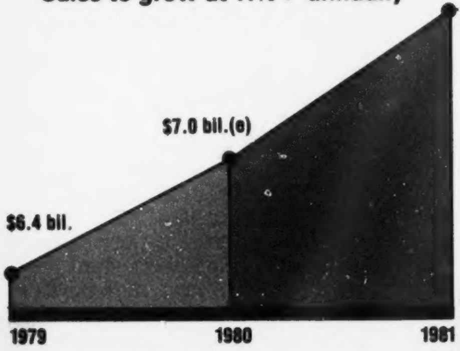


BUY-RITE
IGA

	1979	1980	1981
Building more new stores a year than any chain . . .			
New stores	168	155(e)	150(e)
Average new store size	13,732 ft.	14,000 ft.(e)	15,500 ft. (e)
Added footage	2,307,000 ft.	2,170,000 ft.(e)	2,325,000 ft.(e)
Total retail space	31.5 mil ft.	32.1 mil ft.(e)	33.2 mil. ft.(e)
Average sales per store	$1,925,380	$2,063,500(e)	$2,311,000(e)
. . . while total store count is expected to remain stable			
No. stores	3,324	3,366	3,376
Total retail space	31.5 mil. sq. ft.	32.1 mil.sq. ft.	33.2 mil. sq. ft.
Average store size	9,476 ft.	9,532 ft.	9,714 ft.

Over the three-year period kicking off the 1980's, IGA is reinforcing its store base with at least 473 new units. With these additions, average store size is climbing slowly but surely.
Source: *CSA estimates*

Sales to grow at 11% + annually



Even as much of the sales gain is diluted by inflation, significant real gains are expected to accrue from sharpened pricing in 1981.
Source: *CSA Research*

New low-price image spurs IGA private label line

"Intolerance" used to be the kindest way of expressing the attitude of Ted Klarides, operator of a pair of IGA supermarkets in central Connecticut, toward private label.

That was before his wholesaler, Bozzuto's Inc., and the rest of the IGA member wholesalers took over responsibility for procurement of IGA brands. Today, with the line developing a low-price image to go with its established reputation for quality, Klarides is looking through a different viewfinder.

"The only gripe I had," says the outspoken retailer, "was the lack of flexibility with IGA brands. Sure, it had a strong identity thanks to its nationally recognized status. But prices were too close to the national labels, which obviously undermined its competitive edge."

Actually, the severity of the problem depends on who you ask; many IGA operators have reported healthy volume of private label.

Consider Wetterau, for example. At the Missouri-based wholesaler, which services some 700 IGA stores, the average private label item turns 20 times at warehouse level. Steady promotions on top of high quality and competitive prices help the line snare roughly 12% of total dollar volume at wholesale. An even higher proportion of dry grocery sales—about 14%—comes from private label.

"The important benefit to the retailer," says Glenn Fischer, director of grocery procurement, "is that the IGA brand produces a greater gross profit than the national brand."

Fischer points out that in any particular product family, IGA items usually rank among the top five sellers. At one Wetterau distribution center, for instance, the

Sugar leads IGA private label parade

Rank	Product	Description (pk/size)
1	Sugar	12/5 lb.
2	Charcoal briquets	48/20 lb.
3	Paper towels	30/single roll
4	Bath tissue	24/four roll
5	Ripple potato chips	12/7 oz.
6	Coffee drip grind	12/2 lb.
7	Regular potato chips	12/7.5 oz.
8	Coffee drip grind	24/1 lb.
9	Triple-pak chips	8/10 oz.
10	Whole golden corn	24/#303 can
11	Coffee electric perk	12/2 lb.
12	Coffee regular grind	12/2 lb.
13	Applesauce	24/#303 can
14	Coffee electric perk	24/1 lb.
15	Cut green beans	24/#303 can
16	Saltine crackers	24/1 lb.
17	Chunk light tuna	48/½s
18	Coffee regular grind	24/1 lb.
19	Cola	4/6-pk, can
20	Facial tissue	36/200 ct, assorted colors
21	Aluminum foil	24/75 ft. roll
22	Extra-fancy ketchup	24/14 oz.
23	Charcoal briquets	5/10 lb.
24	Unsweetened grapefruit juice	12/46 oz. can
25	Sugar	6/10 lb.

Private label coffees and paper products dominate IGA's product offering. In total, CSA *estimates IGA brands account for close to 12% of retail sales.*

Source: IGA

IGA
BATH
CORN FLAK
POTA
BAKING
WHOLE KERNEL GOLDEN SWEET
CORN
GREEN
INSTANT
IGA®

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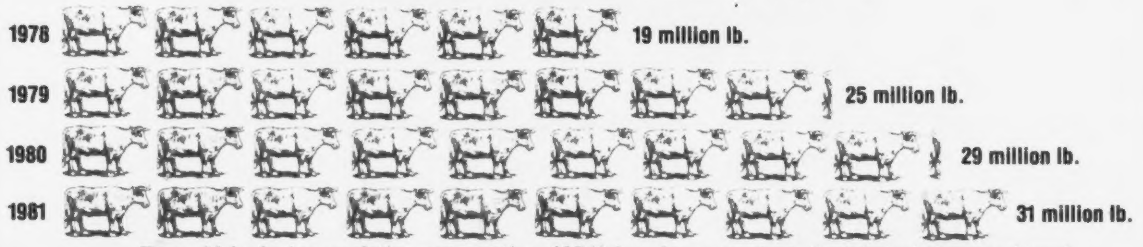
TableRite beef sales to rise 65% in three years



Even with beef prices escalating, consumption of IGA's brand runs counter to the industry's downward trend.

Source: *CSA Research*

No. 1 selling case item in catsup last year was the 14-oz. IGA brand, capturing 10.86% of sales. The 32 oz. was the third-fastest mover, garnering 10.45% of sales. Collectively in 1979, private label catsup amounted to 23.44% of the category's dollar sales at Wetterau.

At another division, according to Fischer, IGA label cookies and crackers sales represented 10.25% of total category dollars.

Before Wetterau selects a new private label item, the wholesaler surveys member stores. The process takes about two weeks. It takes up to 40 days to receive the product at warehouse. While items that don't carry their weight are ultimately deleted, Fischer boasts a low mortality rate for IGA brands.

At the Fleming Company, IGA private label is being treated with tender loving care these days for a variety of reasons. "For one thing," says John Huffman, grocery marketing manager, "we feel private label has a higher growth potential in an inflationary period than national brands, in those cases where our top-quality brands are equal to or better than the national items."

Huffman says that four lines—paper, flour, sugar and plastic bags—have done particularly well against the national brands: "Private label offers at least a 5% better gross margin and, at the same time, is priced below national brands." ☐

Retailers make cautious transition to general merchandise

Pinched by eroding profit margins on one side and the threat of larger chains offering one-stop shopping on the other, IGA retailers are starting to give more shelf space—either anxiously or grudgingly—to general merchandise.

The adjustment is understandably hard for a typical IGA operator, inherently food-oriented and often limited in selling area. He still considers GM an alien commodity.

Helping to ease the transition while capitalizing on the GM explosion in food stores are IGA member wholesalers, who are broadening their merchandising services to encompass nonfoods while expanding inventories.

"Finding store space for GM can be viewed either as a problem or as a challenge," says an official of General Merchandise Services Inc., a subsidiary of Super Food Services. "Retailers who devote maximum space to a progressive GM program will find the challenge is indeed an

ENJOY YOUR VACATION TIME
WE HAVE A FULL LINE OF PARTY SUPPLIES

One Super Food store found space for a large picnic and party supplies section.

Broadened GM services have resulted in card sections in many IGA supers.

opportunity. Those who don't will find it hard to stay in business."

While some IGA grocers take issue with that claim, particularly those who've carved a solid niche selling only food and personal service, there's no denying that many operators are capturing as much as 50% of their net profits from general merchandise.

These retailers are operating average size stores that devote 12%-15% of total space to nonfoods that generate only 6%-8% of total store sales. "Product turns, department sales and return on investment may be the traditional yardsticks for determining space allocations," says the Super Food official, "but in today's environment the one measure of true category productivity is net profit."

Service is key: At the Boise Division of American-Strevell, service is the deciding factor in determining a retailer's success with GM. Of the 25 IGA supermarkets serviced here, 16 are full-service.

"General merchandise is still a stepchild of the supermarket, and many stores need expertise," explains Tom Griffin, GM sales manager of the Boise branch. "For every sale a store misses on GM, it's losing 30%. While that compares with 36%-38% if they handled it on their own, remember that the markup is 30% with *guaranteed* sales. No markdowns or closeouts."

American-Strevell's order guide is set up in three sections: (1) drugs and sundries, (2) hardware (tools, brooms, housewares, auto) and (3) sporting goods (fishing, hunting, batteries).

Once a year, stores are updated and reset. "We have to keep in step with what's 'hot' and 'cold,'" says Griffin. "If tennis shoes, for instance, lose their appeal, we'll reduce the space allocation."

American-Strevell, in a plot to draw customers, provides black pegboards instead of the traditional white. And pegboards of 8 ft. or more have 22-in. wings, which gives them a "funneled" appearance.

The wholesaler is also a strong advocate of hot GM promotions. Consider a recent campaign for Fabergé Organic Wheat Germ Shampoo. Instead of promoting three or four items, IGA put all its marbles on this one brand. Normally priced at $1.29 for an in-store promotion, the product was marked down to 99¢—only 10¢ above cost.

The results? Historically, 50-75 units are sold during the promotional period. This time, over 1,800 units were rung up. Says Griffin, "No one in town had it this cheap. It was worth selling it so close to cost because of the image it made for us."

That's not to mention the close to eight times greater net profit, Tom. ☐

CONSUMER AFFAIRS

Consumer rep looks over Fleming's shoulder

Carol Scroggins is Fleming's consumer affairs adviser, a job that combines the elements of ombudsman, public speaker, newspaper columnist, nutritional adviser.

It is a measure of Mrs. Scroggins' standing in the eyes of consumers that they turn to her for help when their complaints involve stores or products affiliated with Fleming or IGA—or those of competitors.

"It is a little awkward, but if a shopper has a legitimate complaint about a store or product not handled by Fleming I am prepared to pass along the gripe," she says. When this happens she finds herself in the position of telling a competitor that one of their customers is unhappy.

Mrs. Scroggins is probably the most visible consumer representative in the IGA system, and she directs what is one of IGA's most successful consumer affairs programs. It rivals the most effective programs operated by the major chains.

"My first challenge is to represent the viewpoint of the consumer to the company and the retailer," she says. "We believe the consumer has a right to be heard."

Under her supervision, material is mailed monthly to participating retailers dealing with nutrition, tips on how to be a better shopper, recipes and related information. "Recipe cards are supplied on a subscription basis to the stores. We have a full program—it covers meat, produce, dairy, stews in the

Wholesalers provide full consulting services

Wetterau's Data Center coordinates information for 12 IGA scanner-equipped supers.

IGA wholesalers are helping affiliated retailers get into the scanning game before chain rivals can roll up the score. Without the backing of a good voluntary program, most "go it alone" grocers would find it next to impossible to reap the productivity—and profitability—gains that advanced front-end technology makes possible.

Companies like Fleming have been studying scanning since the idea's inception. "We decided in 1974 that we should go into scanning in a big way," says Jerry Morton, the Oklahoma City distributor's point-of-sale coordinator.

Fleming works closely with retail stores in helping them determine if scanning is suitable for their particular operations. If a store is doing less than $80,000 a week in volume, Fleming's advice is generally that the store shouldn't bother with scanning. If volume is between $80,000 and $100,000, Fleming tells the retailer to take a close look at scanning.

When stores achieve volume of $100,000 to $125,000, Fleming's advice is to begin planning for scanner installation, and when volume exceeds $125,000 Fleming urges the retailer to move quickly to take advantage of the benefits of scanning. "We find that if a store has the right volume, scanning will add 1% to its gross within a year of start up," Morton says.

Although Fleming prefers IBM for its own in-house computer equipment, it does not attempt to pressure retailers into buying equipment from any single equipment maker. "We decided at the beginning that we wouldn't lock ourselves into any one single system. We deal with all five major vendors, and I think we may be the only major wholesaler in the country that works with all five systems," according to Morton.

"We start by conducting seminars to explain scanning. We tell the retailer what kind of volume is needed before scanning pays off. We compare the strengths and weaknesses of the major vendors. We think maintenance is a prime requirement. If a vendor doesn't have repair people within 90 minutes of a store's location, we don't think the store should deal with them."

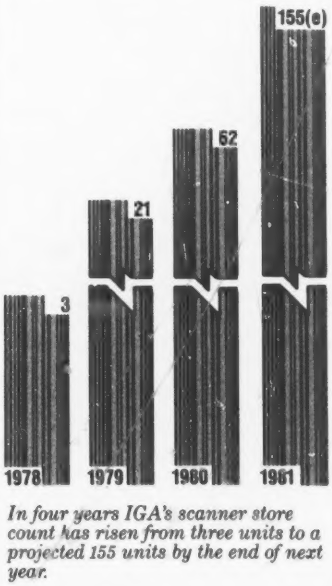
Real costs: The next step is to take the retailer through the costs—"the real costs, not just the up-front purchase price," Morton says.

The scanning hardware may cost $120,000, but the final bill is likely to be much higher. For example, the hardware cost doesn't cover the cost of rewiring the store for scanners, nor does it cover the cost of remodeling checkstands. Other costs may include a backup generator, maintenance and training. "So a retailer looking at a cost of $120,000 to convert a seven- or eight-lane store to scanning may in the end wind up paying $200,000," Morton says.

"We're not trying to talk a retailer out of scanning when we point out these costs. We simply want to make sure he understands what he is getting into."

Once a retailer decides to convert to scanners, Fleming moves in to make sure the conversion is done correctly. "We help him develop an in-store coordinator, we go through

IGA members hook in stores with scanner



In four years IGA's scanner store count has risen from three units to a projected 155 units by the end of next year.

Source: *CSA Research*

With wholesalers' help in converting to scanning, retailers can add up to 1% to bottom line.

the installation process step by step, and we supply a detailed manual for operations. One of the most time-consuming jobs is building a file. Every item in the store has to be keyed in. We have a master file with about 60,000 items, and we can transmit this to a store by phone and save the retailer hundreds of hours of work."

Once the conversion is made, the store is ready to share in the benefits of scanning. Besides direct savings in productivity, these benefits include improved labor scheduling, better shelf space allocation and a host of reports and analyses designed to improve the retailer's bottom line. There is a cash bonus, too, since Fleming sells some of the data captured at store level to A. C. Nielsen and Nabscan. The payment for this data is split 50-50.

On a weekly basis Fleming supplies its scanner stores with new price postings and a report on what new items are being offered. The company helps the store maintain price integrity by advising on a weekly basis about movement resulting from specials and promotions and which items are out of line on price because they were on special or advertised.

The company prepares a quarterly report based on scanner data to show which items are moving fastest, which have become slow movers and which have stopped moving. This report includes information on the cost of these items and the gross profit per item.

Reluctant retailers: Despite this array of services Fleming finds many independents are slow to convert to scanning. "A lot of retailers still think it is a flash in the pan. My feeling is that it will take until the end of the decade to persuade all of the independents of the benefits of scanning. The chains are moving much faster," Morton says.

McLain Grocery Co. was also quick off the mark on scanning. Early on, it selected one of its bright young executives, Al Ely, to spend two years roving the country to learn this complex system. "You learn more by being out there," says Ely, who got plenty of "hands on" experience before even one McLain customer had scanned its first UPC code.

Thanks to the in-depth preparation, McLain now provides knowledgeable counseling on every phase of scanning, from choosing a vendor to in-store applications. The program includes access to McLain's painstakingly compiled scanner file. This provides the proper code, store department, tax status and other essential data for all McLain and store-door delivered items. "The problem with the files supplied by vendors is that they're not localized," explains Ely. "I had to create a 12-character description to every product."

The wholesaler also provides onsite aid for retailers just getting started. Ely or one of his people will work with a retailer during the first week a scanner system goes operational. McLain also provides a file verification service. The company provides the 14-15 people needed to individually scan every item in the store to make sure all the prices and other information are right.

How Fleming sizes up scanning equipment vendors

1. Is maintenance available within two hours of your store?
2. How many systems is the vendor currently maintaining?
3. How many servicemen have been trained to repair the controllers and scanners?
4. What is the cost of maintenance?
   What hours are included?
   Is Saturday/Sunday included?

Source: Fleming

The wholesaler doesn't neglect helping retailers prepare their customers for the advent of scanning. "We bought the FMI film on scanning to show to civic groups and organizations," says Ely. "We make up bag stuffers to tell people it's coming." Ultimately, however, the individual operator decides whether to play scanning up big in the newspapers or keep the introduction of the system low-key.

All-out at Wetterau: The scanning outlook is also bright at Wetterau. By 1990, forecasts Don Abbott, director of POS systems for the Hazelwood, Mo.-based company, 75%-80% of Wetterau-serviced stores will be on scanning. Currently, 15 supermarkets served by Wetterau have scanning, 12 of which operate under the IGA banner.

Abbott contends that wholesalers who work with independents have to play "an active role in POS selection. If not, the chains will run all over you. They'll come out and box your ears."

Abbott reports that Schuncks and Kroger, the two major competitors in Wetterau's home marketing area, are beginning to get scan data that can be used in making merchandising decisions.

"This is a tremendous informational advantage. Independents will have to have this advantage also if they are to stay afloat," says Abbott.

Although the first Wetterau scanning store did not come on-line until May of 1979, the wholesaler began investigating various scanning systems back in 1973. At that time, a committee was formed and charged with recommending a POS system to Wetterau that could be used for scanned as well as nonscanned units.

The committee considered such characteristics as the system's ability to check groceries, its cost, the cost to maintain, the variety of styles, the availability of service and in-store software programs, and, importantly, whether the system could communicate with Wetterau's two IBM 370 host computers.

The committee selected Datachecker, now in use in some form in about 55 Wetterau-supplied supermarkets.

"Our selection of Datachecker also involved our evaluation of the manufacturer itself. We considered how committed they were to the POS market, the existing or planned service network and the availability of training, engineering and development programs." ☐

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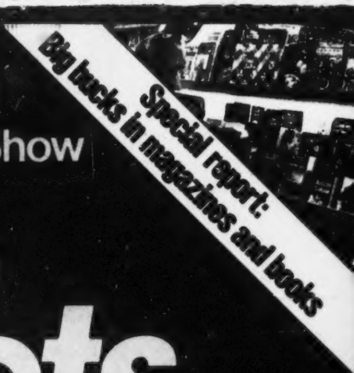
Outlook: A surge of new superstores for 1981

Kitchen items to get sharp look at Housewares Show



Special report:
Big bucks in magazines and books

Chain Store Age Supermarkets

January 1981

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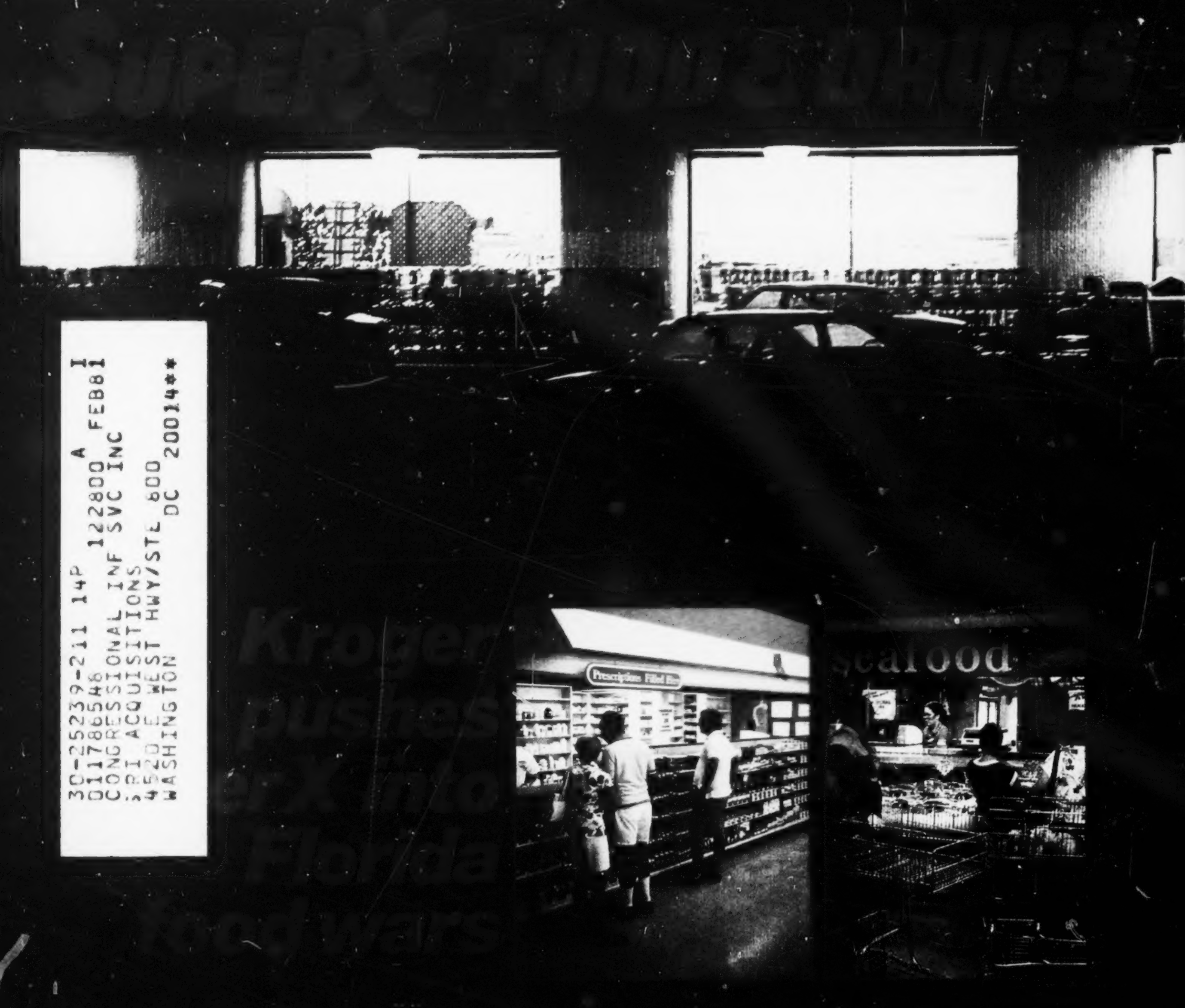
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TWENTY EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets

January 1981

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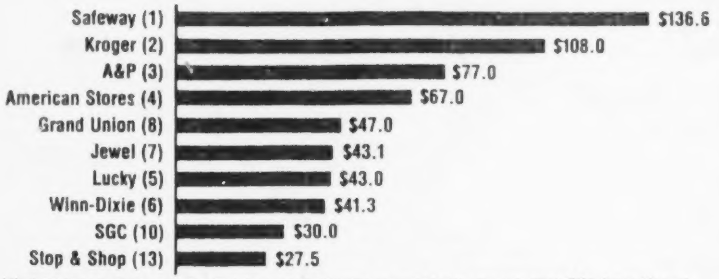


No. 1 chain is No. 1 advertiser

(ad spending in millions)

Numbers in parentheses are the chain's rank in total sales as compiled for the July 1980 *CSA Sales Manual.*
Source: *Advertising Age, Chain Store Age* Research

Safeway heads ad spending list

The No. 1 supermarket chain in the nation, Safeway Stores, is also the top advertiser among grocery companies. The Oakland, Calif.-based retailer, says *Advertising Age,* operated with a budget of $136 million in its most recent complete fiscal year. This was considerably more than the amount allocated by the industry's No. 2, Kroger, $108 million.

Looking at ad spending as a percentage of total sales shows Safeway carefully keeping promotions to 1% of chain sales volume. Grand Union is the biggest percentage spender, 1.5% of sales, while Albertson's is the smallest at 0.56% of sales.

Booklet clarifies distribution code

A new publication from Distribution Codes Institute presents the ins and outs of the DC code in brief, easy-to-understand form. The Product Number Guide describes how the system works, explains the advantages for manufacturers, wholesalers and retailers and tells suppliers how to assign proper numbers to their products. Also covered is the way the DC code interfaces with such other systems as the UPC code.

A key feature of the small booklet is information about how a manufacturer can obtain the unique six-digit number that identifies an entire product line. Copies of the Product Numbering Guide are available from DCI, 1725 K Street NW, Suite 710, Washington, D.C. 20006.

Mobile malls in retailers' future

"Retailers of the future will bring their stores to the customer as merchants did in the past," says Elinor Selame, executive vice president of Selame Design Associates. Addressing retailers and developers attending a course on specialty centers in Boston, Selame described her firm's vision of the future as "retailing on wheels."

According to the corporate and retail identity firm exec, rising concern about energy during the coming decade will force operators to go where the action is instead of waiting for the customers to come to them.

"It will be the age-old concept of the traveling merchant," she explains, "but instead of camels or sailing vessels, the retailer of the future will transport his material via super highway and erect his store on site."

Selame visualizes retailers crisscrossing the country, moving their retail outlets to follow shifts in population and business. The core of each mall would be equally mobile, perhaps made from a tent or geodesic dome.

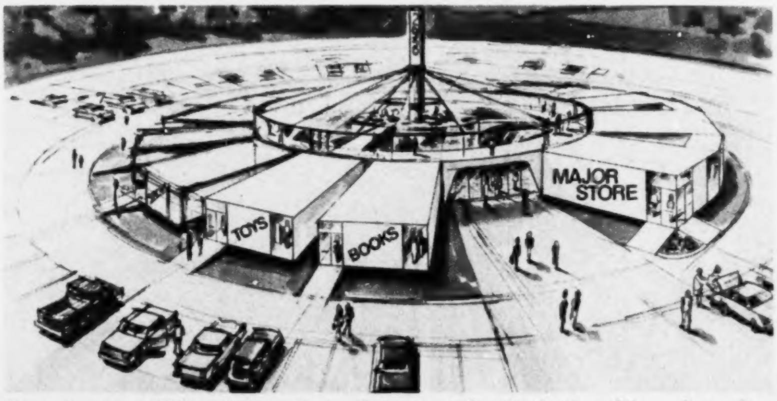
Cart suppliers face price-fixing fines

Four shopping cart manufacturers face fines of up to $1 million each after pleading no contest to charges that they conspired to raise and fix the price of carts.

Although "no contest" is not an admission of guilt, a Federal judge allowed the defendants to change their plea from innocent on the basis that a fine would have been the only allowable sanction in the case of a guilty verdict.

The manufacturers, Roblin Industries of Buffalo, Unarco Industries of Chicago, Gleason Corp. of Milwaukee and Tote-Cart Co. of Burbank, Calif., accounted for 95% of the $200 million in sales of shopping carts to retailers, according to the indictment.

The manufacturers are also defendants in a suit filed by Safeway and other retailers alleging antitrust violations.



***Computer-age mall** from Selame Design features retail units that travel from site to site.*

OUTLOOK
'81

Execs brace for

There are more worry lines than smiles on the faces of supermarket chief executives as they look ahead to 1981. New Year's may be the traditional time for optimistic projections, but a recently completed *Chain Store Age Supermarkets* survey of the 100 leading chain and 50 top co-op and voluntary ceo's shows the industry's decision-makers in a decidedly bearish mood.

As tough as 1980 was in many respects, survey participants feel that the next 12 months could pose an even more severe test for the retail food industry. "We still haven't solved last year's problems," quips the president of a medium-size chain located in the upper Midwest, "and the economy has yet to show real evidence of a genuine turnaround."

The economy—those are the two little words that send chills down the spines of supermarket leaders. In fact, top executives responding to the *CSA* survey pegged "inflation" as the most serious problem facing the industry this year.

How bad is inflation likely to be? Nearly eight out of 10 participants in the study believe that retail food price inflation will hover in the 12%-15% range. And here's a disturbing note: Even the chain, cooperative and voluntary presidents who disagreed with the 12%-15% figure acknowledge, almost to a man, that supermarket prices will soar no less than 9% over the next 12 months.

Sagging farm prices and last summer's terrible drought are the main villains. The killer heat wave of last July and August kept steers and hogs from putting on weight as fast as usual and crippled poultry breeder flocks throughout the heartland of America. This accentuated a trend that was already underway among raisers to cut meat production in order to bring prices back up to a profitable level.

Margins narrow: Increases in the cost of labor and energy also rank well up on the list of industry problems. The combination of steadily rising overhead and zooming retail prices could create a devastating scenario in 1981. There will be pressure on retailers to cushion the effect of higher retails on the public by absorbing some of the increase themselves, narrowing already wafer-thin gross margins. At the same time, higher expense levels will put a dent in net profit. The resulting squeeze may have supermarket operators yearning for the 0.9 net-to-sales ratios common in the late 1970's.

More than half of the respondents to the *Chain Store Age* survey agree that retail prices will be the single most important reason why consumers choose a particular supermarket during 1981. Most, however, are also quick to point out that other factors such as convenience, selection and merchandising have a greater collective impact than price.

"Price will certainly be the most important reason why people shop a supermarket this year," says the top honcho of a Los Angeles-based operation, "but a lot depends on economic conditions." If the Reagan Administration is finally able to put a brake on inflation and succeeds in getting the national economy growing again, he adds, the other factors that influence the consumer's choice of store will become correspondingly more significant.

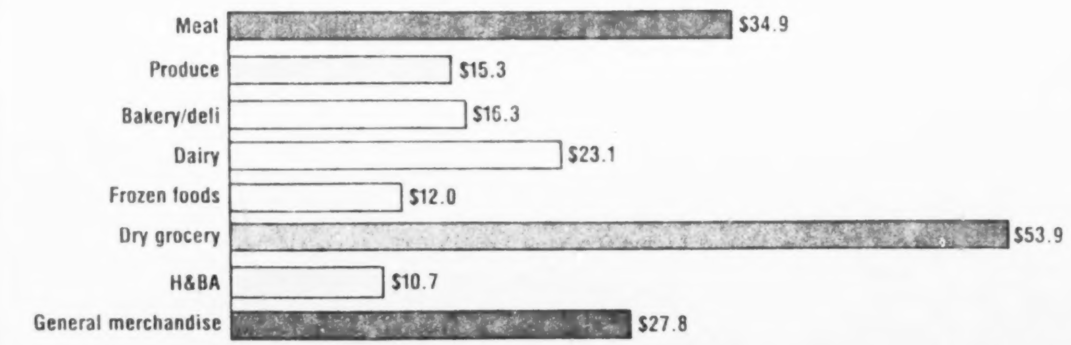
Generics sell: The booming popularity of generic "no brand" products in the supermarket offers further evidence that price-consciousness among today's food shoppers is running at an all-time high. Generics may well have been something of a novelty only a couple of years ago, but more than 80% of the chains polled by *Chain Store Age* are currently stocking plain wrap lines.

The number of items carried varies widely, from as few as two items to over 300. The average chain with a generics program authorizes an average of 103 sku's.

And the generic products aren't just taking up space on the shelves. They're selling very well. Almost six out of 10 supermarket chain presidents say that generics are now the individual best sellers in

CSA projects 1981 sales by department

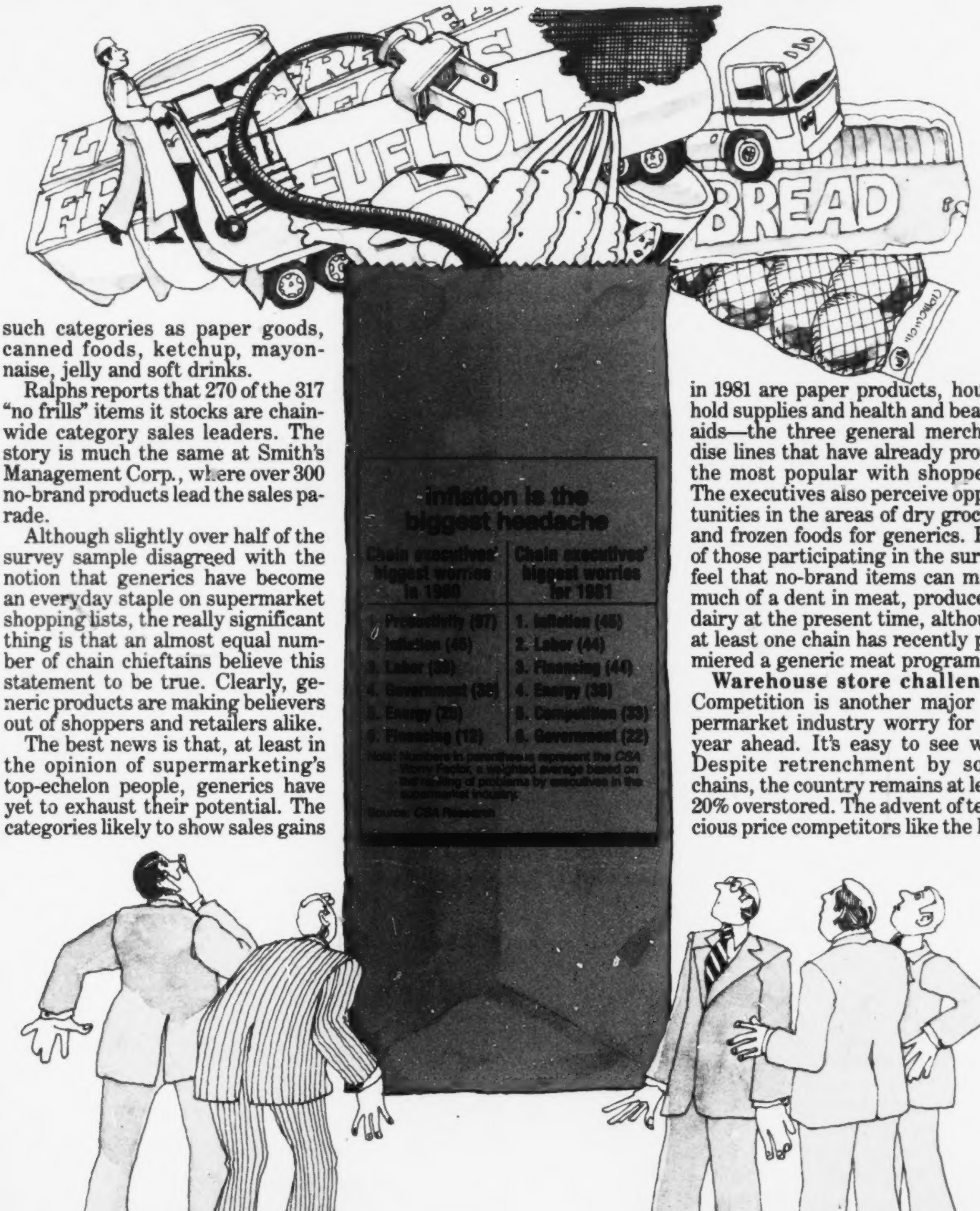
(in billions)



Source: *CSA* Research

*Estimated 1981 sales in supermarkets with an annual volume exceeding $1 million

12%-15% inflation



such categories as paper goods, canned foods, ketchup, mayonnaise, jelly and soft drinks.

Ralphs reports that 270 of the 317 "no frills" items it stocks are chainwide category sales leaders. The story is much the same at Smith's Management Corp., where over 300 no-brand products lead the sales parade.

Although slightly over half of the survey sample disagreed with the notion that generics have become an everyday staple on supermarket shopping lists, the really significant thing is that an almost equal number of chain chieftains believe this statement to be true. Clearly, generic products are making believers out of shoppers and retailers alike.

The best news is that, at least in the opinion of supermarketing's top-echelon people, generics have yet to exhaust their potential. The categories likely to show sales gains in 1981 are paper products, household supplies and health and beauty aids—the three general merchandise lines that have already proven the most popular with shoppers. The executives also perceive opportunities in the areas of dry grocery and frozen foods for generics. Few of those participating in the survey feel that no-brand items can make much of a dent in meat, produce or dairy at the present time, although at least one chain has recently premiered a generic meat program.

Warehouse store challenge: Competition is another major supermarket industry worry for the year ahead. It's easy to see why. Despite retrenchment by some chains, the country remains at least 20% overstored. The advent of tenacious price competitors like the lim-

Inflation is the biggest headache

Chain executives' biggest worries in 1980	Chain executives' biggest worries for 1981
1. Productivity (57)	1. Inflation (45)
2. Inflation (45)	2. Labor (44)
3. Labor (39)	3. Financing (44)
4. Government (36)	4. Energy (38)
5. Energy (26)	5. Competition (33)
6. Financing (12)	6. Government (22)

Note: Numbers in parentheses represent the CSA Worry Factor, a weighted average based on the ranking of problems by executives in the supermarket industry.

Source: CSA Research

ited assortment store and the warehouse market only intensifies the market-share battle.

More than half of the executives expect warehouse-style outlets offering "deal" merchandise at up to 30% below supermarket retails will be a major competitive factor in most metro markets in 1981. The success of operations like BASICS Food Warehouse, Heartland and Samson's can neither be ignored nor denied.

Yet there are skeptics. Some presidents express doubt about the warehouse units' ability to offer shoppers an across-the-board 30% price differential. "Warehouse stores will proliferate," admits the ceo of a West Coast chain, "but I take issue with that 20%-30% below supermarket prices. Maybe some selected items at that figure, but the overall number is probably closer to 8%-10%."

Yet there is little quibbling about the overall impact warehouse stores are having upon the industry. "Warehouse markets are already a strong competitor in selected markets such as the East Coast, the state of Washington and Milwaukee," states another chain president.

Overall, 1981 shapes up as a year in which supermarketers will attempt to hold on to what they have, consolidate gains, attempt to keep profits from disappearing altogether and wait for the inevitable return of a more favorable economic climate. ☐

Tough times ahead for sales growth

Sales will approach, though probably not surpass, the $200 billion mark in 1981 in supermarkets doing more than $1 million in annual volume. Chain, co-op and voluntary presidents polled by *Chain Store Age* look for a tough year in which their companies will have to work hard to generate growth in excess of the anticipated inflation rate.

Nonfoods categories—general merchandise and health and beauty aids—will lead the way with volume gains averaging 10%-11%. Dairy and deli are expected to set the pace for food departments and should also post gains of about 10%.

Interestingly, there's a measure of disenchantment with nonfoods simmering in the industry at the present time. More than two-thirds of the chief executives participating in the survey do *not* believe that expanding general merchandise lines is the best way to boost supermarket sales and profits. This contrasts sharply with previous pulse-takings, in which many retailing bigwigs seemed to view GM as something of a panacea for the industry's woes.

Execs see sluggish growth in 1981

Pct. of supermarket executives predicting:

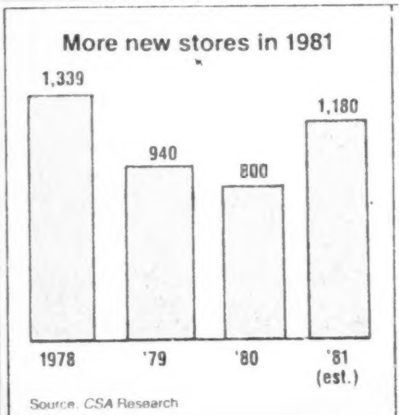
Department	Decrease	No change	+5%	+10%	+15%	+20% and up
Meat	10.4%	37.9%	10.3%	13.8%	20.7%	6.9%
Produce	0	10.3	20.6	44.8	20.6	4.7
Floral	0	26.1	21.7	30.4	8.7	13.1
Dairy	0	18.5	25.9	25.9	25.9	3.8
Deli	0	3.6	25.0	35.7	21.4	14.3
In-store bakery	0	8.3	29.2	41.7	12.5	8.3
Frozen foods	10.4	20.8	10.4	34.5	20.8	3.1
Dry grocery	0	22.2	14.8	29.6	25.9	7.5
H&BA	0	0	35.7	32.1	17.9	14.3
General merchandise	3.5	0	37.9	20.7	27.6	10.3

Source: CSA Research

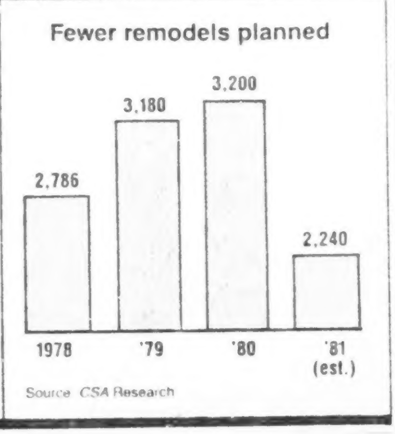
Typical new units will be superstores

Supermarket operators aren't going to let money woes cramp expansion plans in 1981. Despite the fact that obtaining financing for capital improvement programs ranks as a prime worry for most retailers, the industry plans to spend a hefty $2.8 billion on building new stores and renovating and recycling old ones this year.

While this doesn't exactly represent a construction boom—the spending increase will do little more than keep pace with inflation—it does represent an upturn from last year. Spending rose only about 4% in 1980, a small cutback if the effect of rising costs is taken into account.


More new stores in 1981

Source: CSA Research


Fewer remodels planned

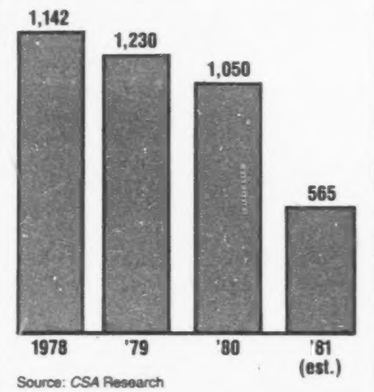
Source: CSA Research

The higher spending level for 1981 reflects a shift in emphasis back toward building new stores. The industry plans to open more new supers this year than any year since 1978. At the same time, there will be approximately 1,000 fewer remodels and only slightly more than half as many recycles. Obviously, the period of widespread chain abandonment of marginal stores has come to an end, choking off the supply of stores suitable for rehabilitation. Seven out of 10 chains do not plan any store closings

The typical new supermarket will be in the superstore class, approximately 30,600 sq. ft. More than half of all projected new stores will be 30,000 sq. ft. or larger, though only a small handful of operations anticipate the construction of truly mammoth units exceeding 45,000 sq. ft. Only one chain in four plans to field a new unit of less than 25,000 sq. ft.

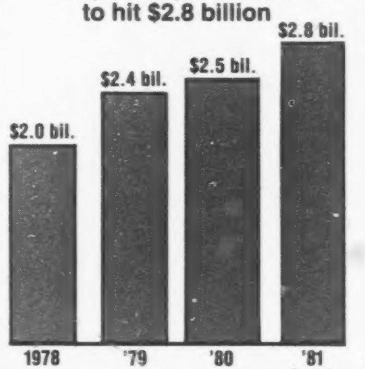
Scanning has arrived as a new store staple, *Chain Store Age*'s survey results suggest. Over 80% of new supermarkets will have scanner-equipped checkouts in 1981, by far the highest percentage yet recorded. Coupled with programs mounted by such retailing giants as Publix, Winn-Dixie and Ralphs to equip existing stores with scanning, this should mean that the total number of installations could exceed 5,000 by the end of the year. ☐

Fewer recyclable stores available



Source: *CSA* Research

Capital expenditures to hit $2.8 billion



Source: *CSA* Research

Store managers rank labor as No. 1 woe

The view from the boardroom isn't always the same as the one from the store manager's office. A cross-section of 500 managers surveyed by *Chain Store Age Supermarkets* unearthed some thoughts about the coming year that diverged from those held by people further up the corporate ladder.

Labor, say the folks who administer individual retail food outlets, is the biggest problem facing them in 1981. Labor also places high on the executives' list of worries, but the two groups didn't mean quite the same thing, to judge by follow-up interviews conducted by this magazine.

Although managers are sensitive to labor costs, the quality of employees is of at least equal importance. "We have a ton of trouble getting people who want to do the job," complains a manager based in the Southeast. "Our turnover is tremendous."

The managers also rate competition a somewhat more fearsome problem for the year ahead than did the chain execs. This is only natural, since these are the people on the front line when stores battle for the retail sales dollar.

Energy also high on managers' worry list

1. **Labor (58)**
2. **Energy (49)**
3. **Competition (30)**
4. **Inflation (27)**
5. **Overhead (24)**
6. **Profitability (18)**

Note: Numbers in parentheses represent the *CSA* Worry Factor, a weighted average based on the ranking of problems by supermarket store managers.

Source: *CSA* Research

Nature of competition: What may be significant is that the managers have a far different perception than their bosses about the nature and source of the competition they expect to face. Unlike the chain, cooperative and voluntary chiefs, the store executives do not appear to fear the incursion of warehouse markets to the same extent. Less than half of those polled believe that warehouse-type operations that promise shoppers price breaks of up to 30% on some "deal" merchandise will become a major competitive factor in their trading territory during the next 12 months.

The reason? Store managers put a much lower value on price as a determinant in shoppers' store selection. Only about one-third view it as the most important reason a consumer would choose a particular supermarket. So despite the fact that eight out of 10 acknowledge that the inflation rate will probably climb to between 12% and 15% in 1981, most managers expect to battle rivals in ways other than by undercutting price. "Giving our customers what they want in the way of merchandise when they want it is the key to success," says one Chicago store manager. "Price is certainly a factor, but we're dealing with a segmented market, and not everyone shops the same way."

Agreement on generics: One thing about which chain presidents and their store managers see eye-to-eye is the value of generics. Roughly six out of 10 store honchos—about the same percentage as among the top-level execs—believe that individual "no frills" items will be category sales leaders.

According to the managers, the best opportunities for further increasing sales of plain-wrap items lie in the following areas: paper goods, household supplies, dry grocery and canned fruits and vegetables. The managers are less sure than their bosses about the potential of "no brand" H&BA, but also express more confidence in the future of generic frozen foods.

Surprisingly, the managers maintain a greater belief in the power of general merchandise to significantly improve sales and profits in the store than do the company presidents. Nearly half of the store people feel that expanding nonfoods lines is the best path to higher profitability.

This probably represents a flip-flop from just a few years ago. At that time, headquarters executives trumpeted the benefits of GM, while store-level personnel seemed more comfortable with a food-oriented operation. Now the roles have reversed. Chief executives have begun to put general merchandise into a more reasonable perspective, even as the store managers warm to the idea of giving nonfoods categories extra emphasis. ☐

—Arnie Katz

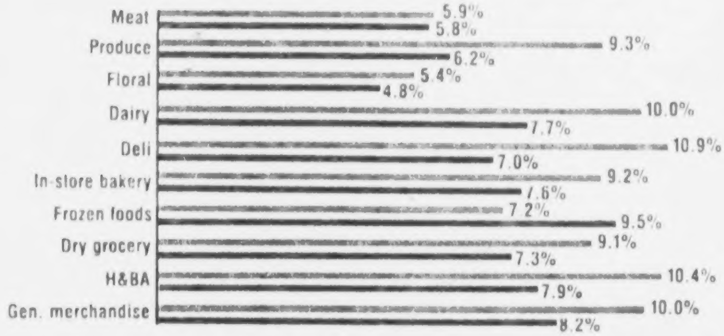
Managers bearish on sales

A comparison of sales projections for the next 12 months by headquarters and store-level executives shows that the managers are considerably more pessimistic about possible sales gains.

The managers, asked to rate prospects for 10 categories (meat, produce, floral, dairy, deli, in-store bakery, frozen foods, dry grocery, H&BA and general merchandise), foresee an average sales increase of 7.2% for 1981. The presidents, meanwhile, looked into the crystal ball and came up with an average sales rise of 8.7%.

The folks who actually run the individual supermarkets evidenced a more bearish outlook than the chain presidents toward several major categories. They predict a 6.2% rise for produce (compared to 9.3% by chief executives) and a 7.9% boost for H&BA (vs. a 10.4% projected gain by the execs).

Managers see smaller sales gains than execs



Source: CSA Research

Washington forecast:

If there is some doubt about how the Reagan Administration will deal with the nation's pressing economic problems, there is virtual certainty about its approach toward Federal regulations and bureaucrats whose decisions govern food retailers and others.

For starters, industry lobbyists in Washington are predicting a substantial decline in the number of new regulatory initiatives advanced by alphabet soup Federal agencies such as FTC, F.D.A., OSHA and E.E.O.C. In fact some Reagan advisers are talking about a yearlong outright moratorium on all new Federal rules and regulations to provide a breather for business.

Carol Tucker Foreman, Esther Peterson and other top consumer activists appointed to key Federal posts during the Carter Administration are likely to be replaced by businessmen more in tune with industry's needs.

There will also be a heavy emphasis on peeling back Government rules and restrictions affecting the food distribution field.

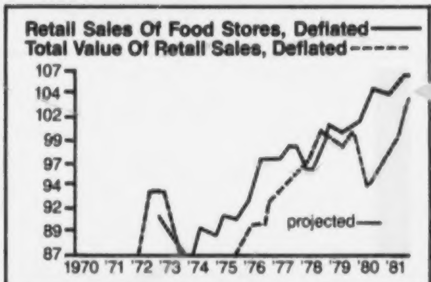
The current "voluntary" wage and price guideline program figures to be one of the first Federal initiatives axed by the Reaganites. In fact, there's considerable doubt whether the White House Council on Wage and Price Stability will itself survive.

The Carter Administration's sweeping food labeling regulatory effort—under development now by no less than three separate Federal agencies (F.D.A., U.S.D.A. and FTC)—will almost certainly be reconsidered by the new President's less consumer-oriented regulators.

Labor regulation: Food chains can also count on major shifts in the direction of Federal labor regulation under Reagan. The Occupational Safety and Health Administration, the Equal Employment Opportunity Commission and other controversial Government agencies won't be abolished altogether, but they can be expected to take a less openly antibusiness tack during the next four years.

In addition, some of the more radical equal employment enforce-

Food sales to outpace eating-out



Food Stores

Sales Change By Quarter | **12-Month % Change**

	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81** 1Q %	'81** 2Q %	'81** 3Q %	'81** 4Q %	'79 %	'80** %	'81** %
Sales include Inflation	10.5	10.0	11.7	9.5	9.3	9.6	8.0	9.0	11.0	10.0	9.0
Real sales (Deflated)*	– 0.7	2.6	4.3	2.9	2.6	1.0	0.4	1.6	3.0	2.0	1.0

*Base = Sept. 1980 Sales
**Projected

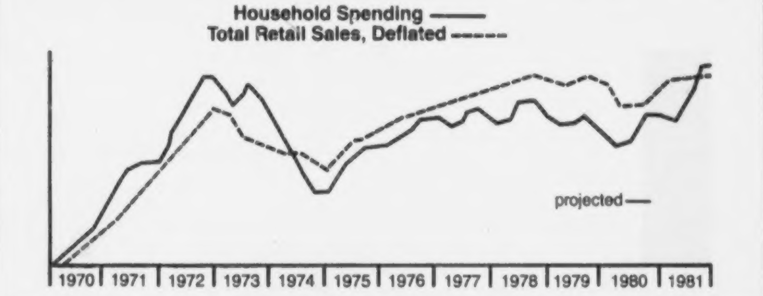
Last year, supermarkets outperformed total Retail sales by a healthy margin. Throughout 1980, in fact, total retail business fell sharply, while in contrast, food rose snappily.

Food stores have also been showing a stronger growth-line than eating-out (restaurants, fast food) establishments since 1979. Last year, while food store sales rose, food service spiralled sharply downward.

The L/F Econocycle projects that supermarket sales will move along a plateau until mid-'81—then resume growth. (The index also shows that after an initial decline, food service will have a minor recovery which will measure out to little more than a year-long plateau for the eating-out trade.)

Industrywide financial results looking back to 1979 have left many supermarket chain executives wondering why every year can't be like 1978, however. That was the year—the only one in the last decade—in which the net-to-sales ratio for the supermarket field rose above 1%.

Figures compiled by the Food Marketing Institute indicate that net profit as a percentage of sales slipped slightly to 0.98% in 1979.



Sales/Include Inflation

1980	Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1Q	9.0	10.5	8.6	7.6	9.3	8.8	5.8	8.2
2Q	4.3	10.0	7.9	– 8.9	1.4	4.8	6.5	4.5
3Q	5.5	11.7	7.8	–12.4	0.1	4.6	6.1	3.9
4Q	4.3	9.5	2.5	–12.4	0.9	2.1	7.1	2.9
1981								
1Q	4.8	9.3	2.1	– 6.3	0.2	4.1	6.2	3.7
2Q	10.6	9.6	5.8	8.7	7.1	7.7	8.2	7.7
3Q	8.2	8.0	8.0	4.9	5.8	6.0	7.6	6.4
4Q	10.3	9.0	9.6	2.2	9.7	6.2	8.4	7.4
% chance 12 mo.								
1979	11.0	11.0	9.0	14.0	14.0	9.0	10.0	10.0
1980*	6.0	10.0	6.5	– 7.0	3.0	5.0	6.0	4.0
1981*	8.0	9.0	6.0	2.0	6.0	6.0	7.5	6.0

Real Sales (Deflated)*

1980	Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1Q	– 1.5	– 0.7	–1.4	– 1.3	3.6	1.0	1.6	1.9
2Q	– 5.6	2.6	–1.3	–17.4	– 4.2	1.9	– 2.2	– 1.7
3Q	– 4.5	4.3	–1.6	–21.0	– 6.8	0.6	– 3.1	– 3.1
4Q**	– 4.3	2.9	5.0	–20.6	– 5.2	2.0	– 4.6	– 3.3
1981								
1Q**	– 2.6	2.6	–5.0	–14.3	– 5.1	2.0	– 1.9	– 1.7
2Q**	3.8	1.0	–2.3	0.3	1.2	3.6	1.8	2.1
3Q**	2.9	0.4	–0.1	– 3.4	0.3	3.7	0.6	1.2
4Q**	4.9	1.6	0.8	– 5.8	3.7	4.2	– 0.1	1.6
% chance 12 mos.								
1979	1.0	3.0	–1.0	6.0	8.0	6.0	3.0	4.0
1980**	– 4.0	2.0	–2.0	–15.0	–3.0	1.0	– 2.0	– 1.5
1981**	2.2	1.5	–1.5	– 6.0	—	3.0	—	2.0

*Base = Sept. 1980 Sales **Projected

About Econocycle

The basis for the L/F Econocycle index (charts above, figures facing) is the Applied Economic Research Unit, located in The Hague, Holland. This unit does consulting and research programs for Government and major corporations on three continents today. Its forecasting methods are based on the Econocycle System, a computerized technique designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The graph (above) represents the trend cycle (after a deflator has been applied for inflation). All data has been seasonally adjusted and smoothed—and is updated each month. The source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

Each month, the L/F Econocycle projects trends based on previous sales cycles. Since outside events (interest rate, money supply, credit) can modify the cyclical path and momentum of sales-trends at any point in time, the L/F Econocycle constantly monitors and updates new data and processes these up-to-date trend-charts each month.

'Scanning revolution' catches buyers by surprise

Albertson's sticks with small California combos

Chain Store Age Supermarkets

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February 1981

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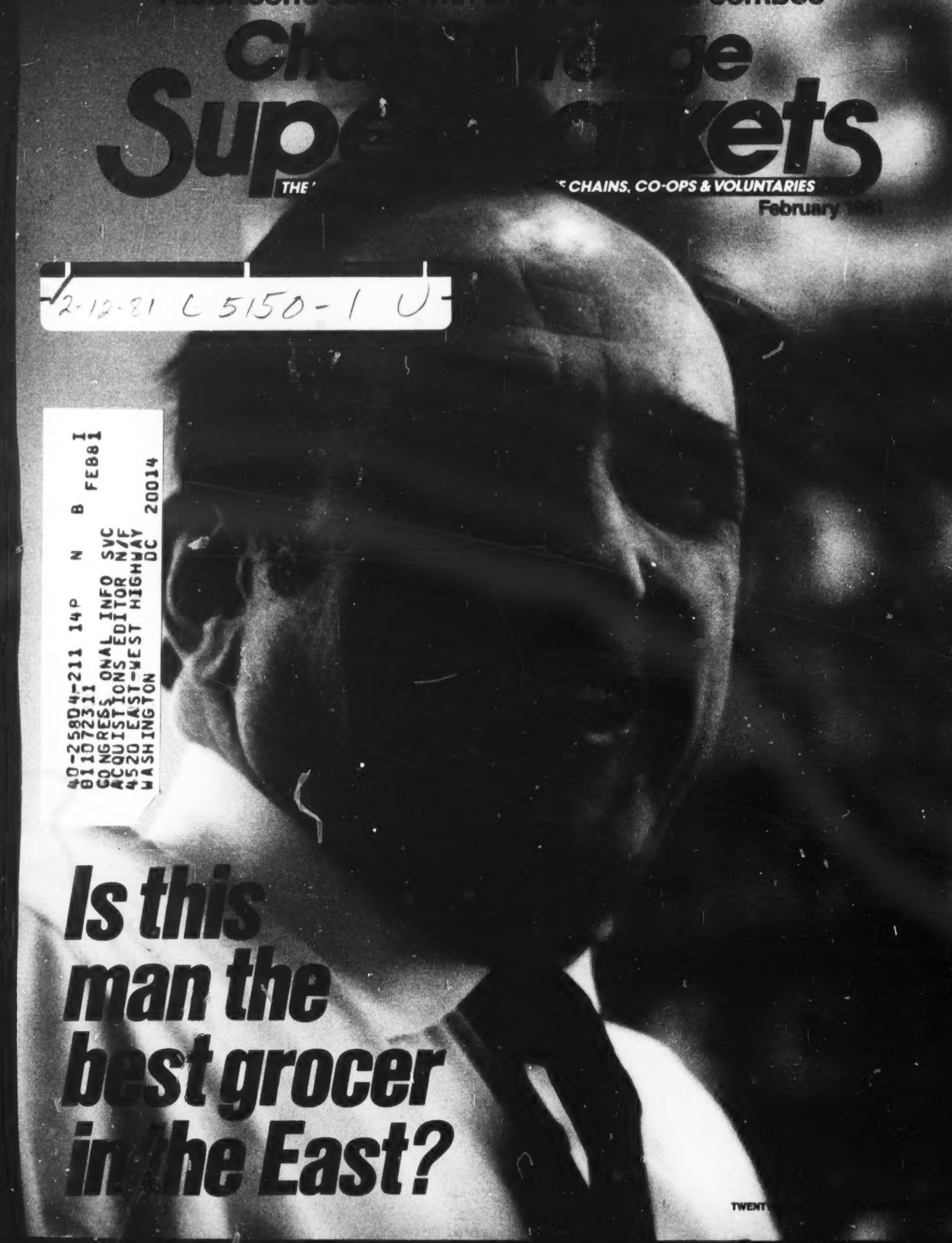

Is this man the best grocer in the East?

TWENTY

Chain Store Age
Supermarkets

February 1981

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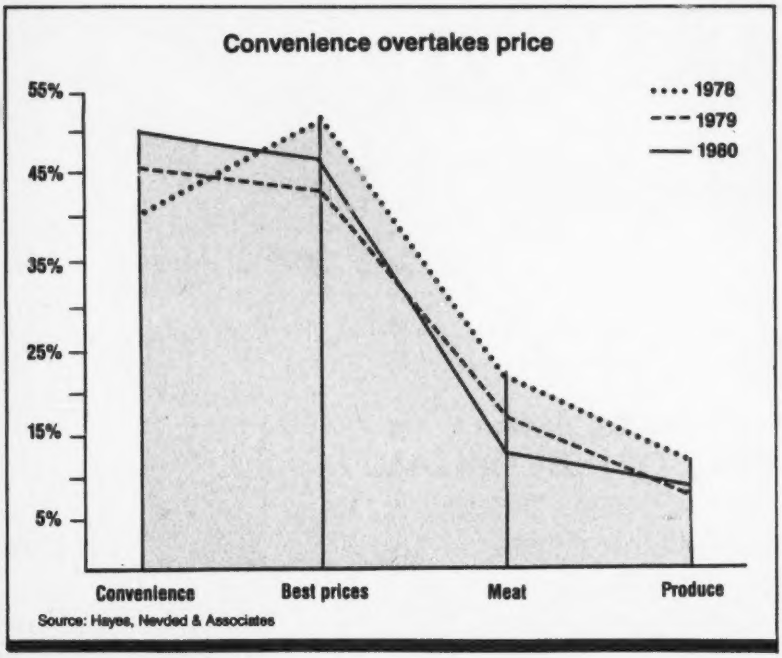
EXPRESS CHECKOUT


Convenience overtakes price

Source: Hayes, Nevded & Associates

Why shoppers choose stores

Want to track down the culprit who's stealing your customers right from under your nose? Try looking in the mirror.

That's the advice of John Hayes of Hayes, Nevded & Associates, an independent market research firm that recently polled over 21,000 shoppers to learn what attracts people to—and turns them away from—a supermarket.

"In many instances," he told a group of IGA operators attending a management seminar hosted by McLain Grocery Co., "the retailer is his own worst enemy by overlapping his stores within the same trading region."

A case in point: In one Midwest market, of the nearly 200 shoppers interviewed at a chain-operated super, as many use more than one store in the same chain as those who shop at only one.

Canvassing consumers in 16 states outside 32 separate supermarkets, the study also found:

- The trend to making extra trips for sales and bargains, on the upswing through '78, is slowly dying.
- Convenience has overtaken best prices as the major factor in choosing a supermarket. Interestingly, meat selection is clearly eroding as a factor in store selection while produce is gaining. "This is even more evident on the West Coast," says Hayes, "where trends normally begin."

The most common tactic (69%) for controlling food bills is scrutinizing food ads. Surprisingly, only 28% said coupons.

Nothing creates a "fresher" image, according to the study, than an in-store bakery. Also high on the list are in-store delis and farm-fresh produce.

One more point: When a discount-priced warehouse or supermarket opens in an established market, 75% of its customers are drawn from existing low-priced stores. Says Hayes, "Personal service remains a potent weapon."

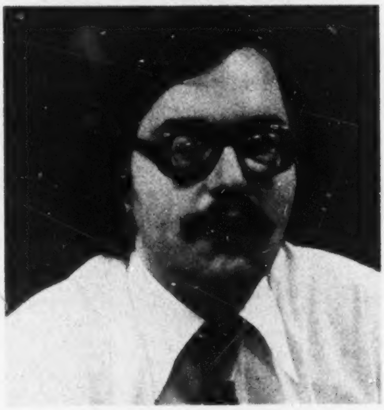
Godfrey Co. to sell seven Wis. stores

It looks like Godfrey Co. won't get to keep all 11 of the supers it acquired from Jewel in November in connection with that company's exit from the Milwaukee market. An agreement awaiting formal FTC approval would result in the Waukesha, Wis., wholesaler/retailer divesting itself of four former Jewel outlets as well as three it presently operates under the Sentry banner.

The Government agency, reports Godfrey management, is striving to maintain food store competition in the market at roughly the same pitch as before Jewel's sell-off. John Godfrey Sr., chairman and chief executive officer, indicates that Godfrey is not much troubled by the likely forced sales, because the company feels it has significantly upgraded its center-city position. The former Jewel supermarkets are larger than the Sentry stores they would replace in the Godfrey lineup.

CSA *names Katz executive editor*

Arnie Katz has been promoted to the post of executive editor of *Chain Store Age Supermarkets*, effective with the February issue. David Q. Mahler, group publication director of Lebhar-Friedman, who announced the move, lauded Katz for his contributions to the magazine since joining the staff as a field editor in mid-1976.

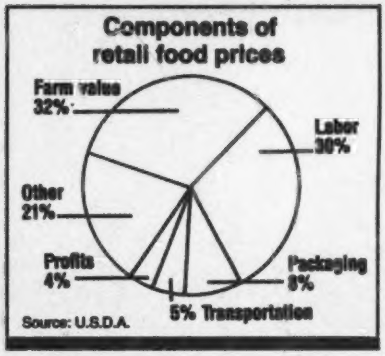


At the time of his promotion, the 34-year-old Brooklyn native was serving as Senior Editor/Research Coordinator. He will continue to supervise all of the magazine's studies and research projects in addition to his new responsibilities.

A prolific writer in both the business and consumer fields, Katz has covered the food industry on a regular basis for the past 11 years.

Food 'middlemen' squeezed in 1980

The much-abused middlemen in the food distribution chain may come under a little less fire during the current year, because of excellent performance in 1980. The U.S.D.A. reports that the marketing bill, which is a measure of the processing and distribution costs for United States farm foods purchased by civilian consumers, experienced only a relatively moderate increase last year.



Source: U.S.D.A.

According to the Government agency, the marketing bill rose 11%, considerably less than the increase in most input prices and the general rate of inflation.

The two main reasons:

1. The decline in real sales of away-from-home eating establishments.
2. The squeeze on marketing margins during the second half of 1980, when farm prices rose faster than retails.

Kroger faces east, links with Japan

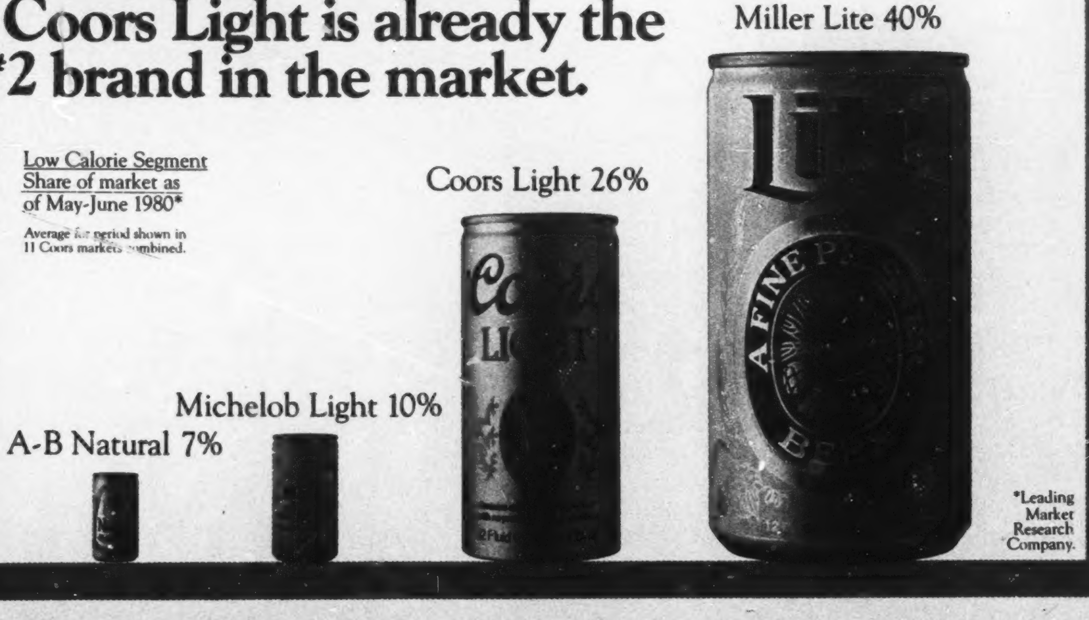
Talk about expansion. The Kroger Co. has reached an agreement with Daiei Inc., Japan's largest food and general merchandise retailer, to explore opportunities for future joint ventures.

The first such activity is a kind of foreign exchange program. Kroger's food processing division will begin exporting items for sale to Daiei, which will assist Kroger in importing Oriental food lines for sale here.

In addition, there will be "an ongoing exchange of information and technical assistance regarding buying and merchandising of food" between the two companies.

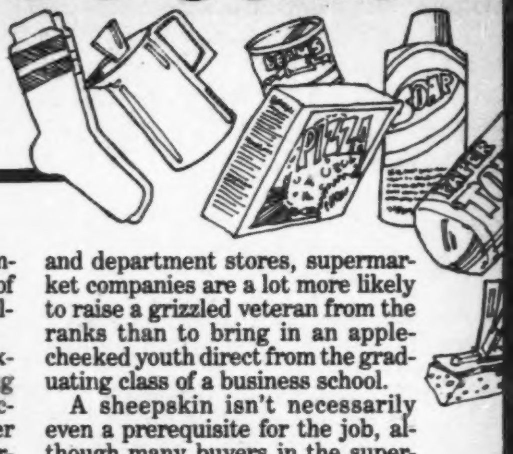
"We have been extremely impressed with the efficiency of Daiei's operation," says Kroger chairman Lyle Everingham. He is not alone in that assessment. Several United States supermarket chains have agreements with highly efficient Japanese firms.

Fact 2:
Coors Light is already the #2 brand in the market.


Miller Lite 40%
Low Calorie Segment Share of market as of May-June 1980*
Average for period shown in 11 Coors markets combined.
Coors Light 26%
Michelob Light 10%
A-B Natural 7%

*Leading Market Research Company.

Sales changes catch by surprise



The clamor raised by the supermarket industry's "selling revolution" is just the sound of distant thunder to the men and women who ride the buying desks. Radically new store formats, revamped merchandise assortment and innovative product presentations are profoundly altering the way supers sell to the public, but the last decade has produced little comparable change on the buying front.

The recent *CSA* Buyer Attitude Study is nearly as important for what it *doesn't* show as for what it does. It unearthed little difference between the way the buying function is handled now and the way it was conducted at the time of this magazine's probe in 1973.

This lack of change is not altogether surprising. It is quite evident that today's hottest trends, from generics to cut-case stocking, issue from the upper strata of management. Apart from the inevitable individual exceptions, buyers appear more oriented toward making the status quo work smoothly than toward developing revolutionary new ways of doing things.

The profile of the typical supermarket buyer that emerges from this study sheds considerable light on the reasons most are content to remain followers instead of becoming innovators during this period of seismic upheaval within food retailing.

The supermarket buyer isn't exactly the model of the bright young executive rocketing along the success track toward a plush corner office and a comfy seat in upper-level management. The truth of the matter is, in fact, almost entirely the reverse.

The typical buyer is a 41-year-old white male earning $28,800 a year.

Buyers appear more committed to status quo than to new ways of doing business

It's a woman only 6.3% of the time, and the percentage of nonwhites hovers slightly over 3%.

Lifetime career: Generally, he has already invested a hefty chunk of his working life in the food business. Three out of four are making a lifetime career as buyers, and approximately 16% expect to do so at the company that presently employs them.

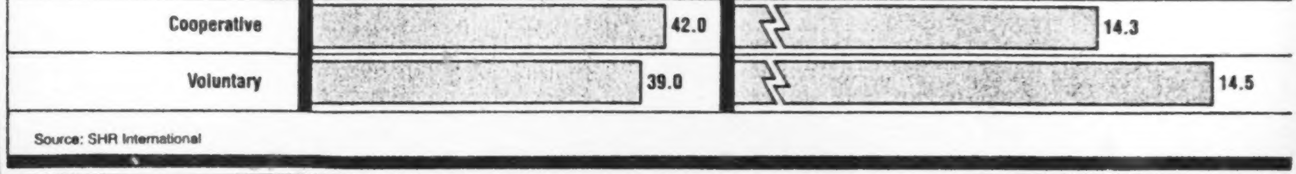
Contrary to the norm in many other retailing fields like discount and department stores, supermarket companies are a lot more likely to raise a grizzled veteran from the ranks than to bring in an apple-cheeked youth direct from the graduating class of a business school.

A sheepskin isn't necessarily even a prerequisite for the job, although many buyers in the supermarket industry have earned them, and a few have gone on to obtain a post-graduate degree. Most buyers, however, don't have college diplomas; the equivalent of two years of college training is about par for the course. And it's still far from unusual to encounter buyers who have a high school education—or less.

In many cases, supermarket companies clearly hope that retailing savvy will more than make up for any lack of formal education. More than half of the 1,000 buyers represented by the study have:

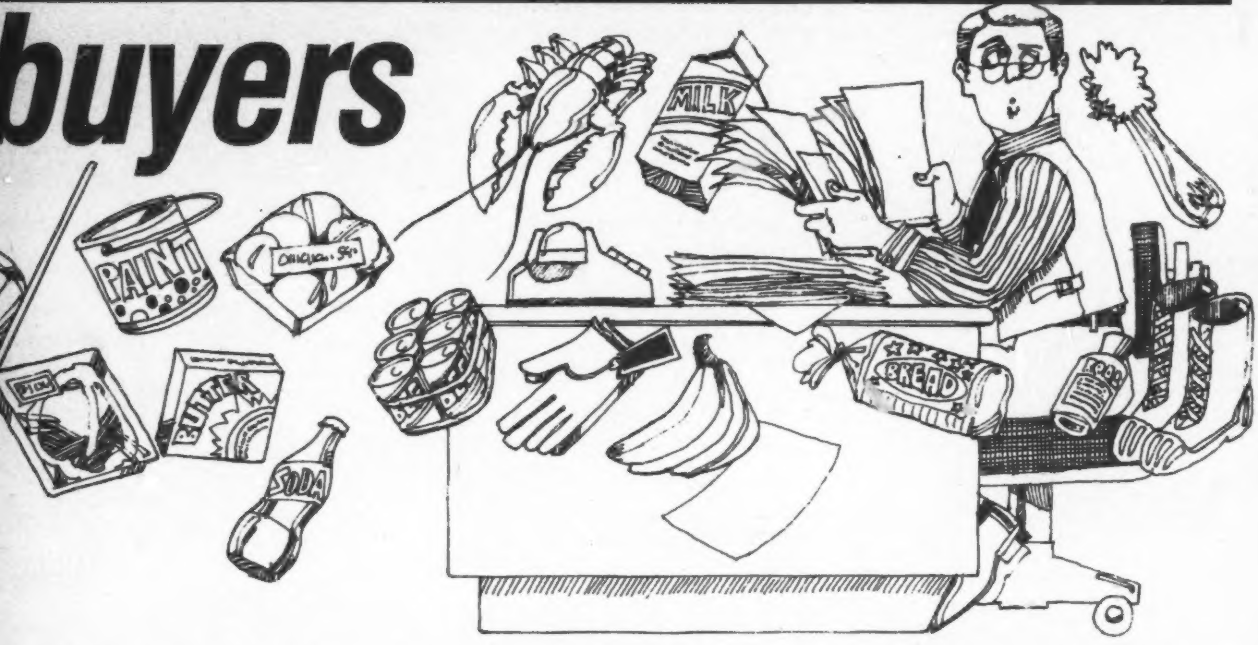
- Seventeen years or more in retail/wholesale food.
- Ten years or more in retail food stores.
- Thirteen years or more with their current employer.
- Seven years or more as a buyer.
- Four years or more with their current title.

Retailers have drawn nearly half of all buyers from the ranks of former store managers. Another 15%



Source: SHR International

buyers



have come to buying from a merchandising slot, and smaller percentages previously performed clerical, distribution, executive, staff or hourly wage functions. Significantly, only 4% came to buying without any stopovers.

This "family portrait" of supermarket buyers should provide some disturbing food for thought for every forward-looking retailer. It unmistakably points up the fact that one of the key levels of decision-making, the buying function, is in the hands of an inbred group that may well have problems relating to the needs of the modern supermarket customer.

Furthermore, buyers appear to be locked into their jobs. They have a wealth of experience, but precious little chance for advancement. Trapped as they are, and most have been behind their desk for an appreciable length of time, it is not surprising that many would be resistant to technological and other types of change.

Sealed in the ivory towers of headquarters and divisional buying offices, the contemporary supermarket buyer remains aloof from the sweeping changes of the "selling revolution" and disinclined to foster similar innovations in the buying sector. ☐

Buyer Attitude Study covers wide sample

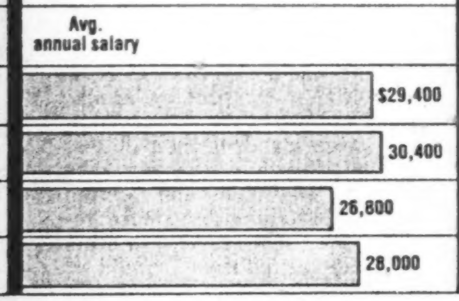
Under joint funding by Chain Store Age Supermarkets *and* TV Guide, *SHR International, Mill Valley, Calif., examined 212 separate buying units. The sample includes buying offices for more than half of all United States supermarkets—and a healthy percentage of Canadian stores as well.*

More than seven out of 10 participating companies are corporate chains, 9% are independents, another 9% are members of a co-operative and the remaining 11% are part of a voluntary program. The survey penetrated 51 of the top 100 chains and 25 of the largest 100 co-ops and voluntaries. The typical operation has annual sales of $576 million; the chains averaged $663 million.

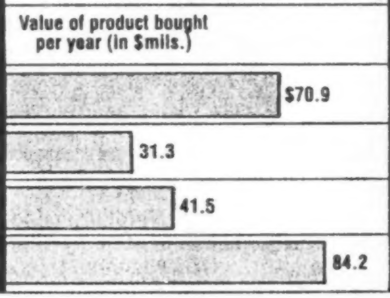
Headquarters operations account for 57% of the sample, with the rest drawn from regional and divisional offices.

Parts of this study formed the basis for a major presentation at the FMI Midwinter Executive Conference in Boca Raton, Fla.

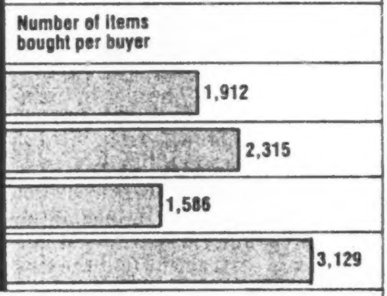
Independents paying slightly better

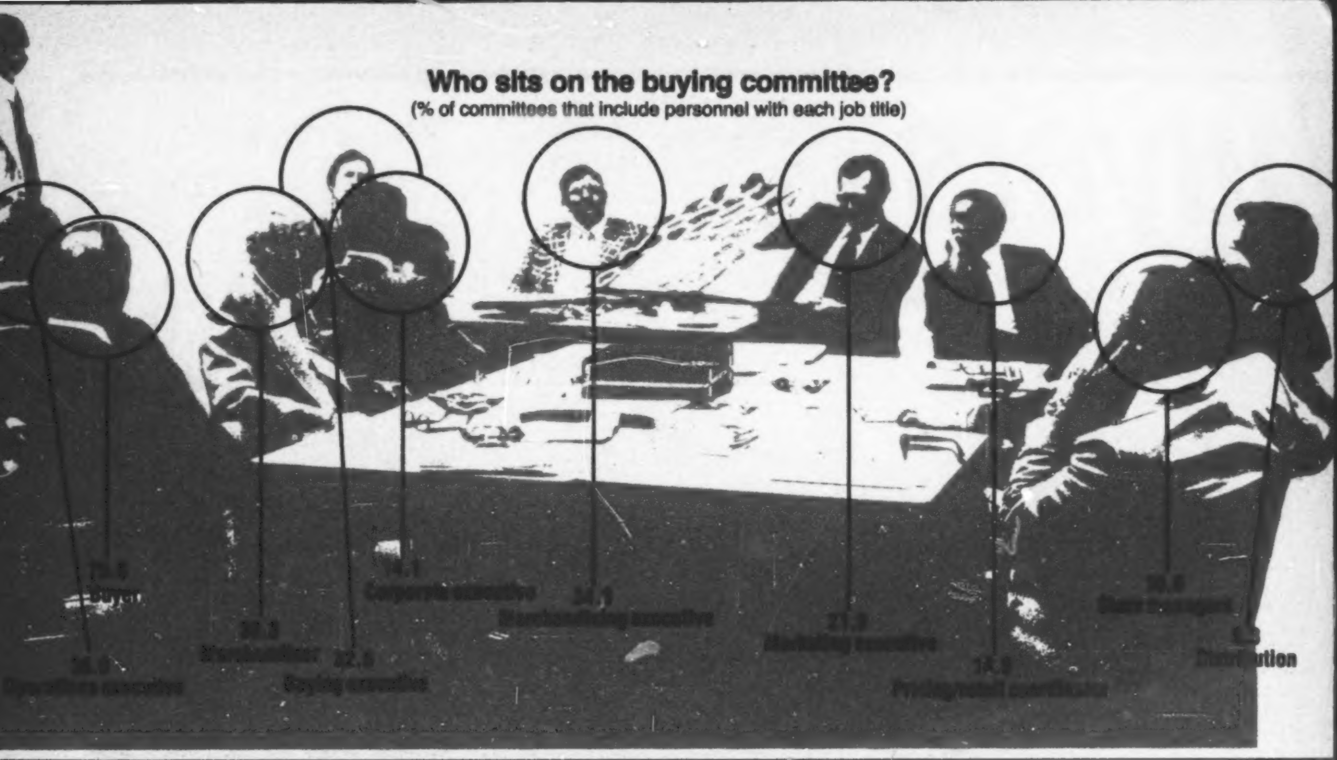


Typical buyer spends $65,000 on products a year



Each buyer handles over 2,100 items





Who sits on the buying committee?
(% of committees that include personnel with each job title)

Buyers march to different drummer

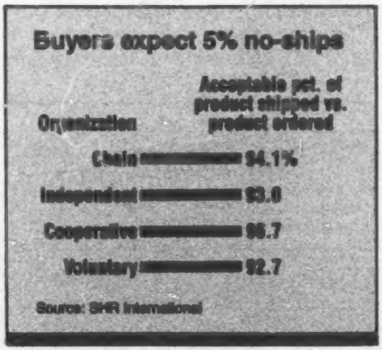
The communications gap between supermarket buyers and upper-echelon managers makes the Grand Canyon look like a drainage ditch. The most unsettling discovery made by the *CSA* Buyer Attitude Study is that an unhealthily large percentage of buyers don't practice the philosophies that their employers ostensibly champion.

Despite the fact that 82% of the buyers think that the strategies favored by their companies have been fully communicated to them, the study furnishes conclusive evidence that this is simply not true. Our probe revealed incredible differences between buyers and bosses working out of the same office with regard to strategies and objectives. Often, buyers cited strategic factors in a completely different order of priority than the one their supervisors listed.

One problem may be lack of training. Less than half of all buyers receive any kind of training in how to properly discharge their function. Of the 47% that have received such aid, 69% participated in formal, in-house programs, 3% received formal outside instruction and the rest got a combination of the two.

The poor correlation between management goals and buyer practice is accentuated by the high degree of autonomy under which most buyers work. More than half, 56.1%, claim limitless purchasing authority. Even though this flies in the face of common sense—there must be tacit instructions that encourage self-limitation—it shows that most buyers believe they have a free hand. Buyers for co-ops are most tightly controlled, while more than half of those toiling for voluntaries aren't circumscribed.

Buyers expect 5% no-ships



Source: SHR International

A ceiling on weekly dollar spending is the most common limit, mentioned by 8%. Other common ones are a maximum on an individual purchase and a similar barrier on orders from the same vendor.

Although roughly three-quarters of the companies have a centralized buying function, 69% have buying committees and most schedule periodic meetings to discuss strategy, management tends to give buyers a long leash. Respondents report they have total independence in a wide range of areas. For example:

- 77% can make order quantity changes.
- 63% have a free hand in deal ordering.
- 59% have discretionary power to accept promotions.
- 43% have authority to change prices.
- 38% can discontinue items.
- 37% have the power to choose vendors.

That's a lot of executive authority being wielded by folks who earn little more than some full-time clerks in regions like northern California. The answer to the problem is not, obviously, to closely restrict buyers in the performance of their duties. Rather, supermarket companies must seek ways, perhaps through increased job training and more frequent performance review, to make sure that the policies framed at headquarters are still in the picture when buyer faces broker or manufacturer's rep across the desk. ☐

Promotional support critical to new-item decisions

Consumer demand tops the list of buyers' strategic considerations, but suppliers had better be ready to put their deals on the table when bringing in a new item. Nearly eight out of 10 participants in *CSA's* Buyer Attitude Study count promotional support as the single most important factor in judging the worth of a new entry. (Deals, discounts and allowances—virtually indistinguishable from promotional support—also got favorable mention from 40% of the buyers.)

Of course, many other elements go into the selection process, but the quantity and quality of support is paramount. This emphasis on getting the right backing from manufacturers is just as strong among buyers for co-ops and voluntaries as it is among chain people.

What is the most popular type of promotion? Wake a buyer up in the dead of night, and the first thing out of his mouth will be: "Off-invoice, please." Almost every buyer surveyed wants this type of deal more than any other.

Off-invoice provides maximum flexibility and minimum paperwork for the retailer—and that discount can be banked now rather than later. By comparison, fewer than one buyer in three ranked bill-back among favorite promotions. In fact, more than half placed it among the least-wanted types of support.

Analyzing the lists of most- and least-popular promotions points up a marked preference for "push" over "pull." Such consumer-oriented support tactics as premium offers, on-pack premiums, cents-off and consumer rebates emerge as the most unwanted. On the other hand, extended terms, co-op advertising allowances and pick-up allowances are apt to get the warmest reception when laid on the buying desk.

Sales history, mentioned by just under half of the buyers, ranks next most important in evaluating new products, closely followed by duplication of items and pricing. Comments from buyers, however, indicate some skepticism about product performance reports originating from other market areas. "Telling me that something did great in New York City doesn't tell me how it will go in northern New England," one survey respondent sums up.

Consumer demand is top strategic factor

Factor	% citing
1. Consumer demand	89.8%
2. Terms	53.0%
3. Product quality	49.5%
4. Pricing	45.7%
5. Variety	38.3%
6. Gross margin	32.9%
7. R.O.I.	31.8%
8. Vendors' service/support	31.2%
9. Distribution	29.8%
10. Vendor track record	10.5%

Source: SHR International

Getting shelf space for a new entry isn't easy, but keeping it in the stores is no picnic, either. With many retailers streamlining the product mix by pruning unnecessary sku's, some suppliers are losing an item for every one they gain.

The best way to avoid this situation, the survey suggests, is to check impulses to market "me too" products. Duplication of an existing item, cited by 84% of the buyers, is the most frequent reason for discontinuation. Sellers of copycat merchandise are probably wasting their time with most supermarket buyers these days. ☐

Promos key to new product acceptance

Factor	% citing as important
1. Promotional support	77.2%
2. Sales history	48.4%
3. Duplication of other items	46.9%
4. Pricing	45.9%
5. Deal/discount/allowance	40.0%
6. Vendor's track record	33.8%
7. Item vs. line	27.7%
8. Gross margin	27.5%
9. Distribution	22.3%
10. Packaging/graphics	15.4%

Source: SHR International

Duplication gets products dropped

Factor	% citing as important
1. Duplication of other item	83.9%
2. Anticipated movement	67.8%
3. Item vs. line	43.9%
4. Test history	43.9%
5. Distribution	41.1%
6. Promotional support	35.8%
7. Pricing	22.3%
8. Gross margin	22.0%
9. Vendor's track record	19.8%
10. Deal/discount/allowance	7.9%

Source: SHR International

Training boosts job satisfaction

Better training and more discussion of company goals and strategies are supermarket management's best route to improving the job satisfaction of buyers.

The *CSA* Buyer Attitude Study compiled satisfaction ratings for five principal areas—work, promotions, co-workers, pay and supervision—calculated on a 54-point scale. A score of 270 would indicate the highest possible total in the five job aspects combined.

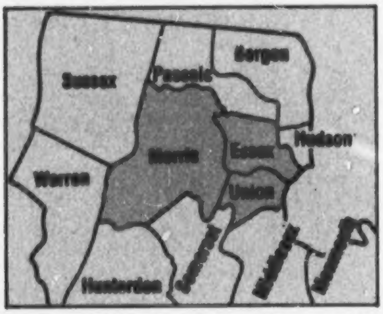
Although buyers showed a relatively low level of satisfaction, even compared to the store and department managers studied last year, it is clear that both training and communication make a significant difference. Buyers who have not received training, for example, had a total score of 186.19, while those receiving instruction had a satisfaction level of 201.61.

Those buyers who got a chance to discuss strategy and objectives with supervisors had a higher satisfaction score than those who didn't by a margin of 199.44 to 183.95.

CSA Survey: Jerseyites play

For supermarket operators slugging it out in northern New Jersey, constant change is the only certainty. According to a consumer attitude study just completed by Lebhar-Friedman Research and *Chain Store Age Supermarkets*, one northern Jerseyite in eight has picked a new "favorite store" within the last year.

Several factors keep this retail cauldron bubbling. Over-storing is an everyday fact of life. The region has attracted no fewer than eight major grocers—Pathmark, ShopRite, Food Town, A&P, Grand Union, Acme, Stop & Shop and Kings—as well as a "no frills" contingent that includes BASICS, Samson's and Plus.



The resulting price competition is intense. Backed by a heavyweight media push, many retailers think nothing of offering double or even triple coupons at the drop of a hat.

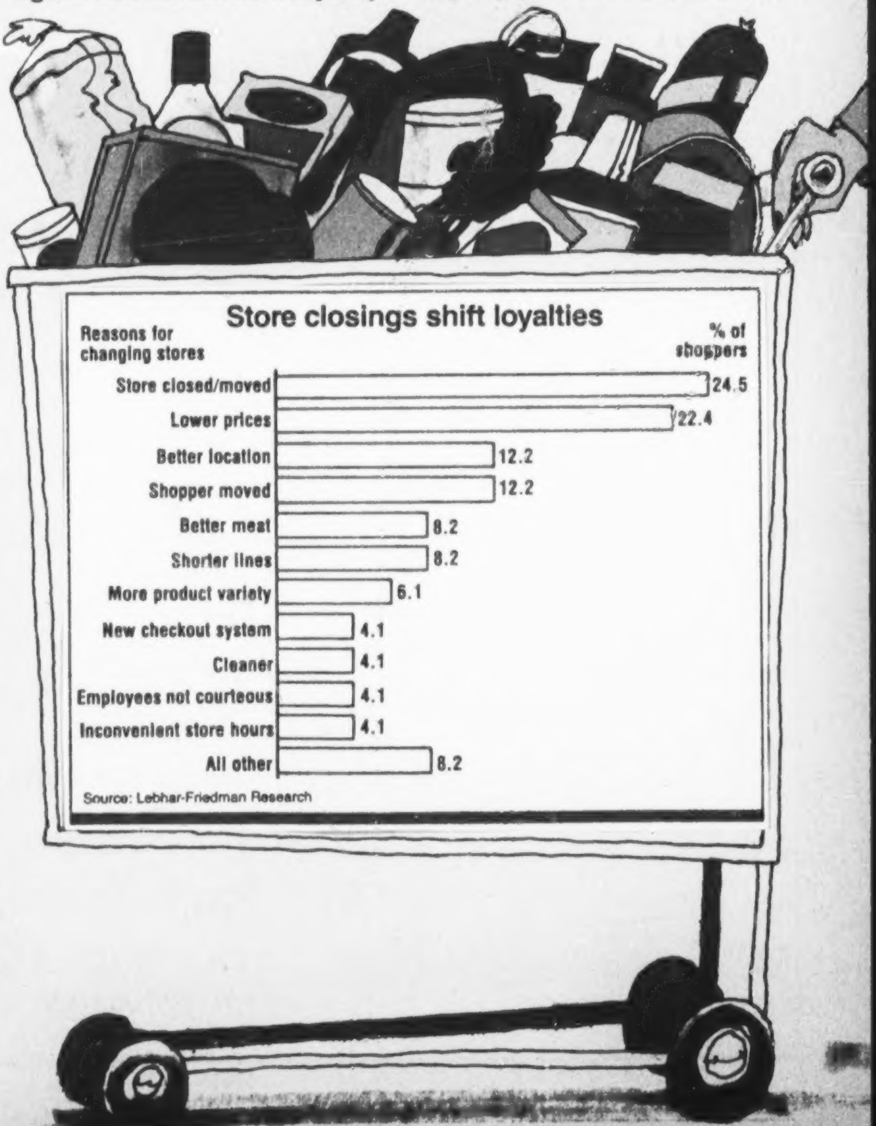
At the present time, 38% of the participants in *CSA's* telephone poll do most of their food marketing at ShopRite. The huge Wakefern cooperative's retailer members emerge as particularly adept at attracting the more mature shopper. An almost unbelievable 48.5% of those over 55 years of age call ShopRite their first-choice supermarket. Job holders and those whose education is at the high school (or lower) level also flock to this retail banner in unusual numbers.

If ShopRite's greatest strength is found among older consumers, then Pathmark's forte lies in its ability to bring more youthful shoppers streaming through its doors. In northern New Jersey, 27% of all shoppers regard the retail food arm of Supermarkets General as their prime grocery source, but the chain grabs off a full 40% of the under-35 crowd.

Ups and downs for A&P: A&P, which ranks fifth in overall popularity, showed the greatest rate of desertion. One out of five Jerseyites who changed supermarkets in 1980 identify themselves as ex-A&P loyalists. ShopRite and Stop & Shop each suffered 18.4% defections from this group, while Pathmark lost the business of 16.3% of these store switchers.

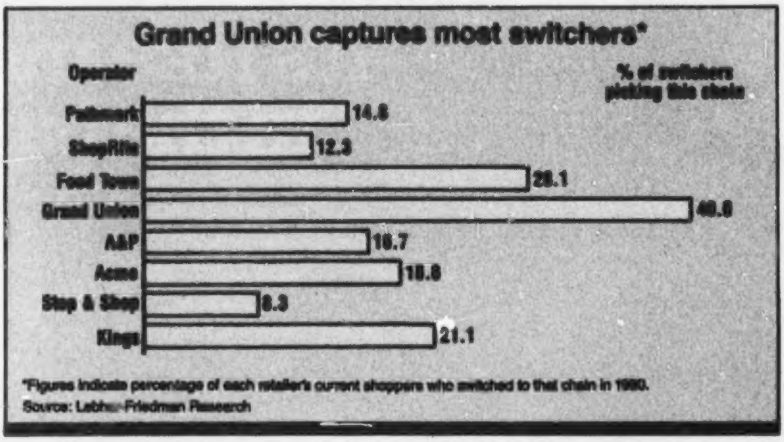
Yet if A&P is experiencing a significant falling away among its traditional customers, it is also bringing new ones into the fold at a pretty good clip. Nearly 17% of those who changed their favorite store last year now do the majority of their food marketing with the Tea Company. Food Town, the region's third most popular group of stores, made significant inroads among switchers. Members of the voluntary sponsored by Twin County Grocers lost 6.1% of those who picked a new favorite shopping place in 1980, but also picked up 28.1% of the folks who previously shopped at one of its competitors.

Acme and Kings also notched good gains among those who shifted allegiance last year, but Stop & Shop experienced a net loss of 10%


Store closings shift loyalties

Source: Lebhar-Friedman Research

'musical stores'



Grand Union captures most switchers*

*Figures indicate percentage of each retailer's current shoppers who switched to that chain in 1980.

Source: Lebhar-Friedman Research

among store switchers over the same 12-month period.

The study indicates that store loyalty runs higher among some groups than others. The under-35 shopper is most apt to move from grocer to grocer in a search for the ultimate supermarket. Nearly three out of every 10 shoppers in this age bracket began doing most of their marketing at a different outlet in 1980.

Convenience a prime mover: Why do shoppers switch supermarkets? There are nearly as many reasons as there are shoppers, but convenience has a lot to do with the decision. One-fourth of those who changed supers did so because their previous favorite shuttered or left town. A nearly equal percentage changed supermarkets as a result of their own relocation, or because a new grocery store opened closer to their residence than the one they previously patronized.

Apart from simple convenience, low price is the main stimulus for dumping an old favorite, mentioned by 22.4%. Other reasons frequently given were: better meat (8.2%), shorter checkout lines (8.2%) and increased product variety (6.1%).

Naturally, each segment of the public has different reasons for swapping stores. Male, married, employed and wealthy consumers, for instance, find greater convenience an almost irresistible lure. This certainly makes sense. These people have the least free time to devote to shopping because most are holding down regular jobs.

On the other hand, those in the 35-54 age group and families with an income in the $15,000-$30,000 range tend to be the most price-conscious.

(Continued on p. 41)

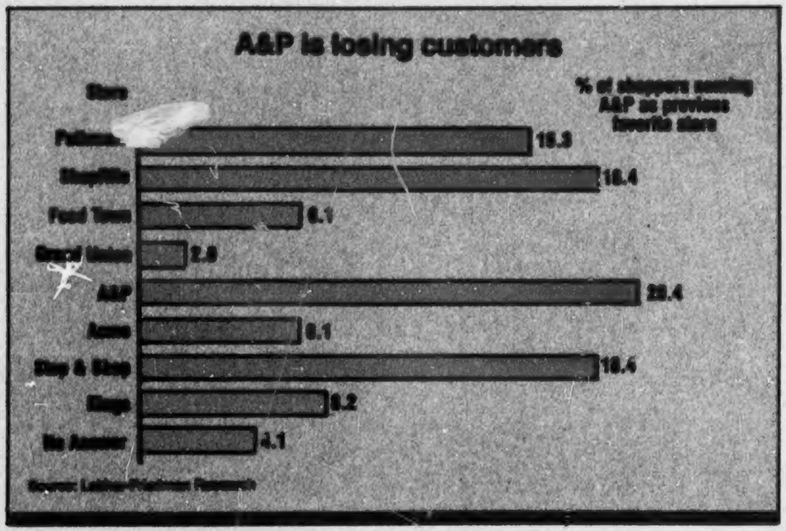
Behind the study

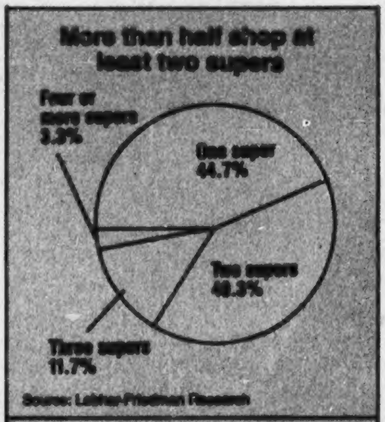
This month Chain Store Age Supermarkets *presents the first installment of a six-part study delving into consumer attitudes. Subsequent studies will take the pulse of shoppers in Los Angeles, New Orleans, Minneapolis, Chicago and St. Louis.*

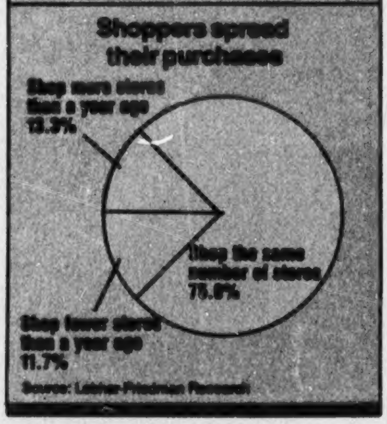
Each study is based on hundreds of telephone interviews conducted by Lebhar-Friedman Research, with this magazine's own research arm furnishing supplementary analysis of the extensive data.

Even if you don't operate in one of the six markets we've targeted, there's a great deal of useful information to be extracted. Allowing for regional differences, each study will present a closeup of the attitudes and opinions that shape the way people approach the supermarket shopping experience. You'll get insights into what consumers want in a retail food store, why they switch favorite supermarkets, their perception of "no frills" retailing and much much more that will be usable no matter where your trading territory is located.

CSA Survey: northern New Jersey







Analysis of store switchers shows that, though many turned to New Jersey's traditional price leaders—Pathmark, ShopRite and Food Town—last year, others found different reasons to trade stores. Regional chain Kings Supermarkets, which doesn't usually attempt to match the big boys special for specials, nonetheless wooed many customers away from rivals by promoting its better selection of merchandise and high-quality meat.

Store hopping grows: One thing's for sure, northern New Jersey's high-pressure retail environment will keep shoppers hopping from super to super.

The longterm breakdown in store loyalty, fueled by relentless price promotion, ensures this. More than 55% of Jerseyites already shop at least two grocery stores on a regular basis, and 15% buy at three or more.

What's more, the movement toward spreading food buying among several outlets is still growing in New Jersey, despite the braking effect of the energy crisis. Over 13% of the survey participants use more supermarkets today than they did a year ago—and the percentage of under-35's doing so is nearly double that figure. (A little under 12% of the area's shoppers buy at fewer stores now than they did 12 months ago, but that still doesn't balance off the group that is spreading its food dollars around more.)

Inevitably, given the turbulent history of the northern New Jersey market, this means retailers will continue to crank out one of the highest levels of promotion found anywhere in the country during 1981. With shoppers putting every operation under the magnifying glass, it's clear that the region's retailers will have to run very hard just to maintain market share against both conventional supermarket competition and the price-oriented box store operators flooding the counties of northern New Jersey. ☐

Consumers use coupons at rapid clip

Coupons, coupons and then some more coupons—that's the way northern New Jersey's food retailers play the supermarket game. And all those coupons are definitely raining down on fertile soil; clipping is a more widespread practice among the region's shoppers than scanning newspaper ads, preparing a shopping list or tuning in on radio and television promotions.

More than half of the participants in *CSA*'s consumer attitude survey always cut and redeem cents-off chits. Less than 13% of the sample remains entirely immune to this potent appeal to the pocketbook.

Most likely to be found with scissors in hand on "best food day" are the customers of Pathmark and Stop & Shop. Seven out of every 10 Stop & Shop patrons always clip coupons, and the percentage of Pathmark partisans doing so is only slightly lower.

Demographically, coupons achieve their best penetration in the Jersey market among women (57.4% always clip), the unemployed (57.6% always clip), families with incomes of less than $15,000 (62.5% always clip) and consumers under 35 years old (57.5% always clip). As might be expected, rich folks aren't very excited about coupons, with about 17% never bothering with them at all.

Bonus coupon mania: The fact that many area supermarketers

CSA Survey: northern New Jersey

wage the battle for market share with frequent bonus coupon promotions serves to make Jerseyites even more coupon-conscious. Although this practice is still relatively new, almost 37% of shoppers always or frequently note which stores are featuring double- and triple-couponing before setting out on marketing trips.

Shoppers are getting into the bonus coupon action at a torrid rate. More than one-third of all those now on perpetual bonus coupon alert report they hardly noticed such promotions before last year. If this rate of growth holds, roughly one-third of northern Jersey consumers will be jumping on every bonus coupon offer in sight during 1981.

Double and triple coupons have the strongest attraction for those under the financial gun. More than three out of 10 families earning less than $15,000 a year and 27% of the unemployed are devoted to this type of promotion. Pathmark shoppers are the heaviest participants, reflecting the chain's preeminence in this type of promo.

Newspapers over TV: Jersey consumers pay a lot more attention to newspaper food ads than they do to television and radio spots. Two out of three always scan the paper for supermarket ads, but only 15% invariably monitor retailers' broadcast efforts. More than half of survey respondents claim they never watch or listen to such commercials.

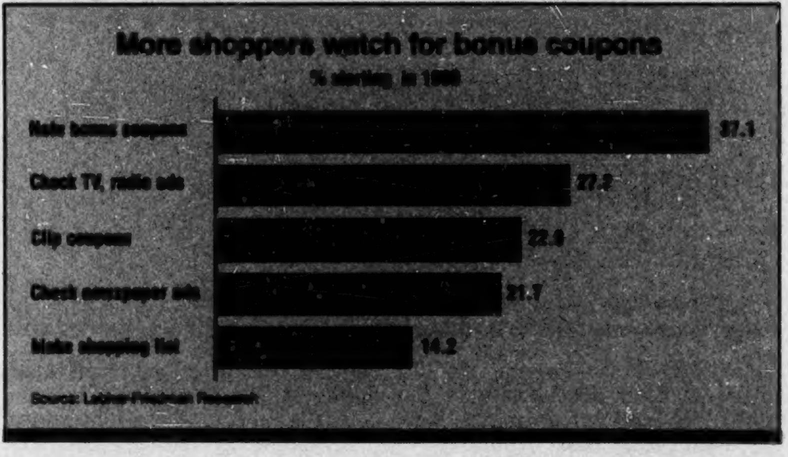
The data doesn't quite jibe with reality. Most Jerseyites probably see and hear a lot more commercials than the study indicates. Pathmark, ShopRite, A&P and Grand Union are frequent video advertisers. The low level of overt interest suggests that many shoppers find pricing information more usable in written form. It would be a mistake to discount the subliminal effect of broadcast ads.

Shopping from a prepared list, much advocated by consumerists, is very popular in this area as well. As many as two-thirds of the customers at chains like Stop & Shop and A&P report that they always use such lists to control their spending. Not surprisingly, the poor and other groups constrained by tight budgets are the biggest users of this marketing tactic. ☐

Coupon-clipping most popular practice

Activity	Always (4) (%)	Frequently (3) (%)	Sometimes (2) (%)	Never (1) (%)	Mean Avg.
Make shopping list	56.0	12.3	11.7	20.0	3.04
Check newspaper store ads	62.3	15.7	13.3	8.7	3.32
Clip manufacturers coupons	52.3	15.7	19.3	12.7	3.08
Note radio and TV store ads	15.3	6.7	23.3	54.7	1.83
Note stores offering bonus coupons	22.7	14.4	21.7	41.7	2.18

Source: Lebhar-Friedman Research



Source: Lebhar-Friedman Research

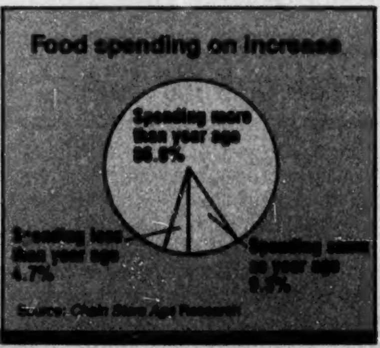
One in five shoppers spends $100 weekly

Northern New Jersey residents spend an average of $66.40 in area supermarkets on their main marketing day. In addition, they fill in during the week with another $20.20 worth of perishable items.

One in five qualifies as a "big spender," plunking down more than $100 for groceries on the principal marketing day, and nearly the same number spend more than $30 per week on the extra. The biggest spenders, on average, are to be found at A&P ($76.80 on food day) and Pathmark ($73.50 on the principle shopping trip), while ShopRite ($61.00) and Stop & Shop ($61.80) are a little below average.

Most of the area's consumers shop at more than one store, although 27.3% do stick to one operator. Grand Union displays the highest level of store loyalty, with 40% of its customers doing business exclusively at GU. Only about 11% of A&P's patrons express similar loyalty in the study.

The national trend toward mak-



Source: Chain Store Age Research

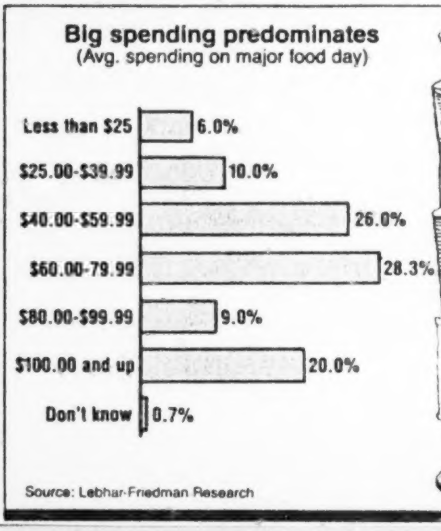
CSA Survey: northern New Jersey

ing fewer shopping trips is evident in this region. More than one shopper in five currently visits supermarkets only once a week, and the average is well under twice a week.

Although supers generally open on Sundays in this market, it remains the lightest shopping day of the week. Thursday rates highest, cited by 25% as the main marketing day, with Friday close behind. Saturday ranks third overall, but is highly popular with consumers who hold down regular jobs during the rest of the week.

Shopping before noon is favored by 40% of the survey participants, with those making less than $15,000 and people over 55 years of age being particularly fond of morning marketing.

One-quarter of the shoppers polled prefer to visit supermarkets between 5:00 and 10:00 p.m., but more than a third of all those in the $15,000-$30,000 income range shop during those hours. Pay a late-night visit to a northern New Jersey outlet, and you're most likely to find a light traffic count composed predominantly of single men. ☐



Source: Lebhar-Friedman Research

Shopping trips are infrequent

Major shopping trips per week	% of respondents
7 times per week	0.3
6 times per week	0.0
5 times per week	0.7
4 times per week	1.7
3 times per week	6.7
2 times per week	16.3
1 time per week	63.0
2 times per month	9.3
1 time per month	1.7
Less than 1 time per month	0.3

Source: Lebhar-Friedman Research

Thursday is top shopping day

	% shopping
Monday	8.0
Tuesday	9.3
Wednesday	11.0
Thursday	25.0
Friday	21.7
Saturday	15.7
Sunday	5.3
No special day	4.0

Source: Lebhar-Friedman Research

Giving the customer what she wants

Top-grade perishables, cleanliness get most votes; surprise is weak nod for GM

King Supermarkets stays competitive against behemoths like A&P and Grand Union by giving its northern Jersey shoppers more of what they want most. Participants in *CSA*'s survey rate the 12-unit Irvington chain best in the three areas that have the greatest impact on store selection—quality produce, good meat and a clean selling floor.

Wins in two other categories, fast checkout and helpful clerks, enabled Kings to place third behind co-champions Pathmark and ShopRite in overall consumer satisfaction, despite a less favorable price image. ShopRite's strengths are prices, both everyday retails and ad specials, and the good quality and selection of both brands and private label products available in member stores. Pathmark satisfies as well as ShopRite with its private label program and also received top marks for its generics effort and the selection of general merchandise and health and beauty aids it offers.

High-quality produce clearly scores the most points with finicky Jerseyites when they choose a supermarket. Almost 90% feel that a good selection of fresh fruits and vegetables is extremely or very important when picking a store.

Widely touted as a key imagemaker, produce's appeal cuts across all demographic lines. Women and the less affluent are the most strongly impressed, but four out of five families earning $30,000 or more a year—the least interested

Top priority goes to produce

	Extremely important	Very important	Somewhat important	Not too important	Not at all important	No answer
Quality produce	44.3%	45.0%	5.0%	3.3%	2.0%	0.3%
Fast checkout	28.7	42.3	18.3	6.0	4.7	0.0
Helpful workers	12.0	48.3	22.7	13.3	3.7	0.0
Cleanliness	35.0	52.7	9.7	1.7	1.0	0.0
Convenient location	28.3	54.7	12.3	3.3	1.3	0.0
Low everyday prices	36.0	43.7	13.7	4.0	2.7	0.0
Ad specials	13.0	41.0	25.0	12.0	9.0	0.0
Variety & quality of private label	14.7	41.0	23.3	13.0	8.0	0.0
Variety & selection of national brands	14.3	45.7	24.3	9.7	6.0	0.0
Variety & selection of generics	8.3	15.7	20.0	25.7	30.3	0.0
Quality meat	42.7	42.7	4.7	3.0	6.7	0.3
Wide selection of general merchandise	15.3	38.0	21.3	16.7	8.7	0.0
Wide assortment of H&BA	6.0	19.3	25.0	26.0	21.7	0.0

Source: Leicher-Friedman Research

Kings leads in five categories

Rankings in order of shopper satisfaction

	Pathmark	ShopRite	Food Town	Grand Union	A&P	Acme	Stop & Shop	Kings
Quality produce	2*	4	5	7	8	6	2*	1
Fast checkout	2*	5*	2*	7	8	5*	4	1
Helpful workers	5	2*	4	6	8	7	2*	1
Cleanliness	3	5	7	6	8	4	2	1
Convenient location	6	2	5	7	3*	1	8	3*
Low everyday prices	2	1	3	4	5	8	7	6
Ad specials	2	1	3	8	6	5	4	7
Variety & quality of private label	1*	1*	7*	5	6	7*	4	3
Variety & selection of national brands	2	1	5	7*	7*	6	4	3
Variety & selection of generics	1	3	4	6*	5	8	2	6
Quality meat	3	2	7	6	5	8	4	1
Wide selection of general merchandise	1	2	6*	6*	8	5	3	4
Wide assortment of H&BA	1	2	6*	8	6*	5	4	3

*Indicates a tie

Source: Leicher-Friedman Research, *Chain Store Age Research*

group—also believe produce is extremely or very important.

Although women are more concerned about produce than men, there's no such distinction between the sexes when it comes to high-quality meat. Only the rich have a perceptibly lower-than-average appreciation, and that's probably because they can afford to buy meat at butcher shops.

Cleanliness is not only next to godliness, it's also the second most important factor in store selection. Nothing turns off shoppers faster than a dirty or messy store, which bodes ill for A&P's comeback. The Tea Company has traditionally earned low marks for cleanliness.

The study suggests that shoppers in this region are getting a little shellshocked from the constant barrage of hot specials. Low everyday prices get the nod over specials by a wide margin.

Nearly three times as many shoppers termed low everyday prices "extremely important" as the group with similar feelings about specials. Looking at it from another perspective, more than one consumer in five is either not too interested or not interested at all in super-low sale prices. On the other hand, day-in, day-out discount pricing fails to rouse appreciable interest in less than 7% of northern New Jersey residents. Of course, chains like Pathmark and ShopRite, which rate well in both types of pricing, have an expressway to the hearts of this trading area.

Women, the poor and those over 55 years of age are keenest about specials. The appeal of generally low prices is more evenly distributed throughout the population, with special allure for the middle-income shopper.

Surprisingly, in view of the popularity of the one-stop-shopping concept, a strong general merchandise and H&BA image is less important than other considerations to most consumers choosing a supermarket. Shoppers in the $15,000-$30,000 income bracket express the greatest interest in a good selection of nonfoods, but less than half of the most affluent group considers GM extremely or very important.

H&BA is a lower priority than other types of general merchandise. One notable exception: The supermarket is becoming the place for families with lower incomes ($15,000 or less) to satisfy their H&BA needs. More than twice as many shoppers in this group rate H&BA extremely or very important than in the general northern New Jersey population. ☐

—Arnie Katz

ShopRite, Pathmark satisfy their customers best

Chain	Avg. ranking in 13 categories
1. Pathmark	2.4
ShopRite	2.4
3. Kings	3.1
4. Stop & Shop	3.8
5. Food Town	4.9
6. Acme	5.8
7. Grand Union	6.4
A&P	6.4

Source: Leicher-Friedman Research, *Chain Store Age Research*

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West charts new productivity course

Produce '81: Spotty supply can't stop hot market

Chain Store Age Supermarkets

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Independents march toward 35% market share

Chain Store Age
Supermarkets
March 1981

Lots of companies started out peddling fruit. Now it seems they're going back to it in a big way .... *p. 50*

1981 Produce Manual

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Independents march

Today's independent supermarket operators are staring at a disturbing paradox. They have never enjoyed greater success, yet this important segment of the food retailing industry must surmount some serious obstacles if growth is to continue.

The independents' share of total supermarket sales volume has increased steadily through the 1970's, reaching slightly over 31% in 1979.

There's no getting around the fact that the widespread chain retrenchment that took place in the mid- to late-1970's represented a bonanza for many go-it-alone retailers. Far-sighted operators plunged in where the corporate chains feared to tread.

Thousands of abandoned chain supers moved into the independent column in this fashion. Particularly in city center areas, vacated by chains hoping to follow their customers into suburban green pastures, independent retailers filled the service gap in Pittsburgh, New York, Philadelphia and numerous other major markets.

The viability of the independent retailer rests on three main pillars:

1. **Flexibility.** The ability to react fast to changing conditions is perhaps the biggest advantage indies have in the continual rivalry with big-chain competitors. "Hit 'em where they ain't" has become a battle cry.

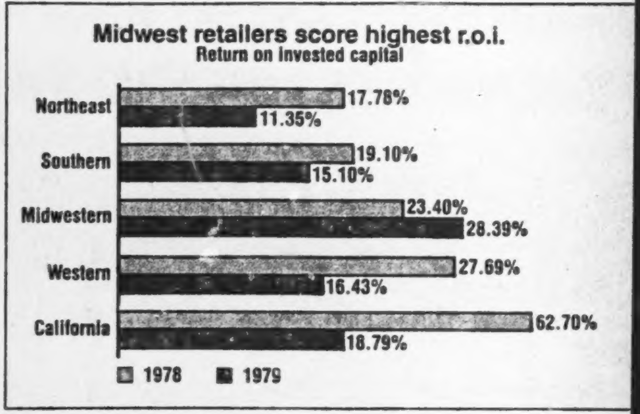
2. **The personal touch.** Because the store owner is a visible human being, not an anonymous executive locked away in a far-off headquarters complex, the independent grocer is frequently able to establish a rapport with customers the chain outlet can't match.

3. **Wholesaler support.** The people side of the business is crucial, but supermarketing is becoming an increasingly capital-intensive field. The small-scale retailer simply does not have the financial resources to implement the productivity-building technology the typical chain can afford to purchase. Without progressive wholesalers to guide them into scanning, computerized labor-scheduling and other profit-fattening programs, independents would find themselves falling inexorably further and further behind.

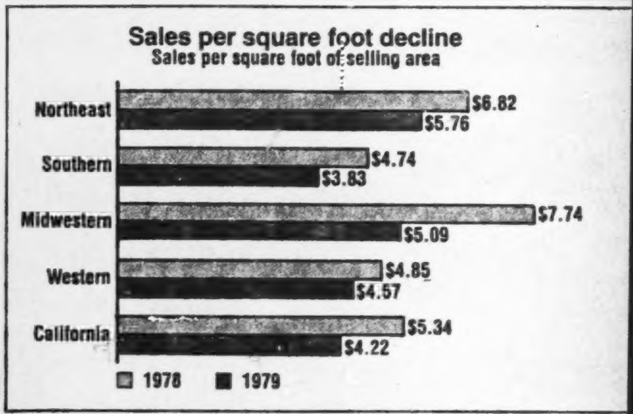
That's the good news. The bad news is that the era of mass closings of chain supermarkets has probably ended. Barring a major depression, which could put thinly insulated chains under the bankruptcy judge's hammer, independents will have to start constructing most of their new supermarkets from scratch.

This, in turn, creates several

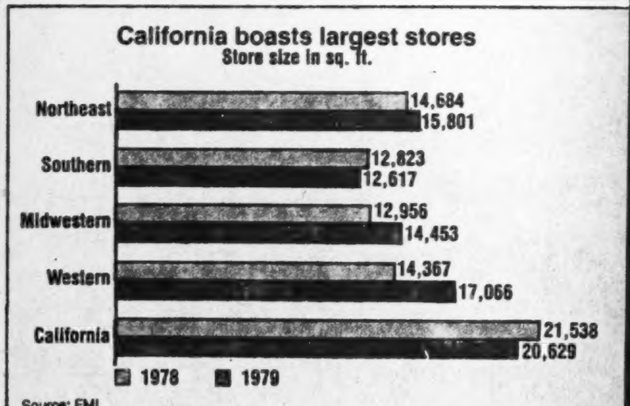
toward 35% share



Midwest retailers score highest r.o.i.
Return on invested capital



Sales per square foot decline
Sales per square foot of selling area



California boasts largest stores
Store size in sq. ft.

Source: FMI

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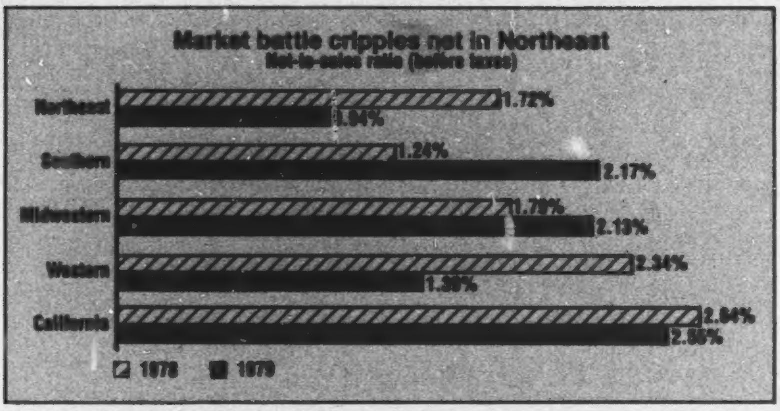
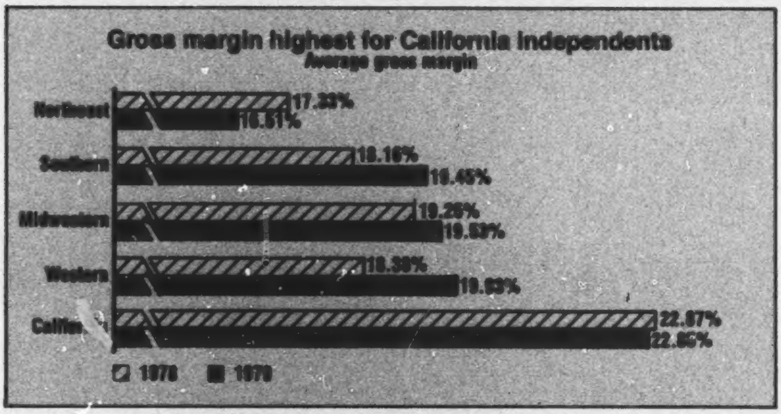
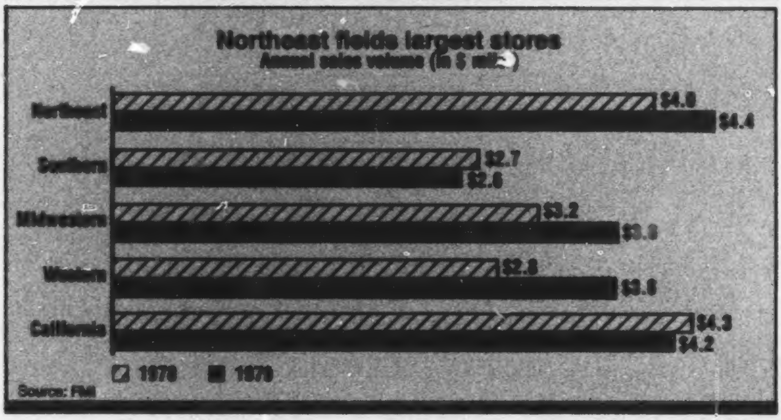


Market battle cripples net in Northeast
Net-to-sales ratio (before taxes)



Gross margin highest for California independents
Average gross margin



Northeast fields largest stores
Annual sales volume (in $ mil.)

Source: FMI

problems for the expansion-minded retailers. The first is that those old chain units represent some choice sites. Premium locations for new supers are scarce—and getting more so. Most indies don't have resources comparable to the corporate site selection departments that map chain expansion, though here wholesalers can offer some timely help.

Obtaining money to finance continued growth is an even bigger problem. Few small retailers have the ability to generate capital for expansion, which means borrowing at rates of 19% or more at the present time. That's enough to make even the most aggressive independent retailer think twice—and it accounts for the great stress by trade groups like NAWGA on getting the Federal Government to make capital formation easier for small businesses.

Another worry is the current consumer emphasis on price. Big volume buying by voluntaries and cooperatives make it possible for members to stay in the same ballpark as the chains, but the independent's real strength lies in the area of service. When the big boys slash 1,000 prices at a clip, it's usually a good time for the little fellas to take cover and ride out the storm. If the economy doesn't respond to the measures promulgated by the Reagan Administration, some big-city independents could end up as casualties of major chain price wars.

Despite the myriad challenges awaiting them in the 1980's, independent retailers—and their wholesalers—maintain an air of steadfast optimism. They share the belief that the small supermarketer's advantages will prove more than equal to the test and that the next few years will see independents further increase their share of the retail food business. ☐

Wholesalers halt productivity slide

All wholesalers acknowledge the need to boost warehouse efficiency, but talk is sometimes easier than action. A few concerns like Wetterau, Fleming and Super Valu have parleyed minute attention to materials-handling problems into operational success, but such good results are far from universal. Food warehousing productivity slipped during the late 1970's, even as meetings and seminars aimed at improving it proliferated.

Data compiled by the National-American Wholesale Grocers' Association (NAWGA) shows that the three-year downturn has bottomed out and that productivity is once more headed in the right direction. All sizes of facilities experienced gains in throughput last year compared to 1979. In particular, warehouses in the 100,000-200,000-sq.-ft. range are running more productively now than at any time in the last four years.

One reason for the slow progress on this front is that wholesalers aren't leaping to implement some of the expensive automation systems. The adverse economic climate militates against the considerable expenses automation entails.

The cost of fuel is also a yellow caution flag. "We may have to go back to satellite warehouses," admits NAWGA's Don Geller, head of the task force on warehouse productivity, "if transportation costs continue to soar." Obviously, many firms fear building a mammoth automated warehouse today that

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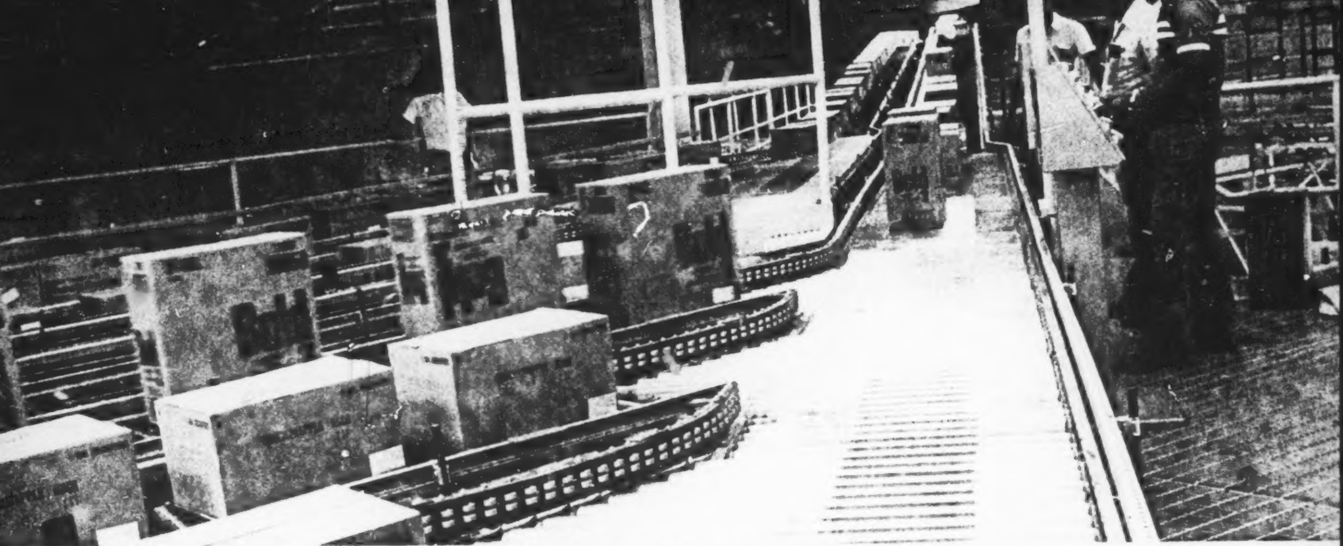

Certified Grocers of California boast computerized system that can pick and ship over 17.5 million lb. of dry grocery cases weekly.

Warehouse efficiency rebounds

Tons of throughput per department hour

Warehouse size	1977	1978	1979	1980
Small (less than 100,000 sq. ft.)	1.02	0.94	0.86	0.93
Medium (100,000-200,000 sq. ft.)	1.00	1.01	0.98	1.05
Large (200,000 sq. ft. or more)	1.19	1.26	1.06	1.13

Source: NAWGA

could easily become tomorrow's white elephant.

The steadily rising number of sku's is another roadblock. The more slots, the more complex an automated system has to be to handle the load. Thus, automation is most common in perishables warehouses—dairy/deli, meat and frozen foods—while mechanization is more popular in dry grocery.

Long list of pluses: Mechanization not only promises labor savings of 25%-50%, but it also yields some less quantifiable benefits, including improved management control, more timely service for customers, reduced overtime, a better work environment, more efficent space utilization and less product handling damage.

"What are these benefits worth?" asks James R. Sebastian, chairman of Rapistan. "The only answer can come from a warehouse operator's own judgment as it relates to company objectives."

Most systems have addressed the problem of order selection, the most costly element of handling product in a warehouse. Many operations now use towlines between the dock and the picking location, radio-controlled tuggers to reduce the time needed to get at product, powered double-pallet jacks and short-interval scheduling to reduce labor needs.

Batch-picking systems are also in vogue, primarily in dry grocery facilities. A computer combines orders from several customers, allowing larger quantities of product to be selected at each slot. A conveyor that whisks the cartons off to the loading dock also cuts costs.

Some operations that utilize computerized selection have added mechanized replenishment to cut manual handling and lifting. These include indexing pallets to unloading stations that raise and lower, depalletizers that lift tiers of cases and high-density storage systems that reduce the need for lift trucks.

All such mechanization techniques share one thing: They require long-range planning for most effective implementation. "Automation will not work in a poorly managed warehouse," states Jack Bradt, chairman of SI Handling Systems. He advocates educating warehouse personnel on a need-to-know basis about new systems.

People programs, mechanization pay off handsomely in warehouse efficiency

Computerization will become even more important as a productivity-improvement tool during the 1980's. The possibility of a teleprocessing network that could make it easy for operators to swap software programs should make participation by even the smallest concerns feasible. Also coming down the road is the Uniform Communications Systems (UCS) that will eventually make possible advances like direct computer-to-computer ordering of product.

People *and* robots: Also lurking around the corner is increased use of robots, though the industry is a long way from employing a legion of R2-D2's. Relatively simple and proven electromechanical devices are already widely used in other industries, including the automotive business, and could find application in situations in which workers have difficulty functioning at peak, such as inside frozen food freezers.

Another aspect sure to receive additional emphasis in coming years is people. Programs ranging from time-and-motion studies to motivational research are already on-stream at wholesalers like Fairway Foods, Lewis Bear and Super Valu, and others are preparing to follow suit.

It could well be that during the 1980's, people-oriented programs will prove just as important as technological advances in keeping productivity growing as a hedge against the ballooning cost of operating a food wholesaling business. ☐

—Arnie Katz

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Squeezing the

These are tough times in the supermarket business.

Box stores are squeezing grocery margins like so many oranges, and inflation has smacked the meat department with the impact of a watermelon falling off a skyscraper.

As competition and labor costs put the pressure on the bottom line, supermarket managers have turned to the produce department like a long lost friend to keep the traffic counts and net profits up.

It's a good choice. Produce managers have been wading through calamity all their lives. They run their departments with the expectation that disaster is just around the corner. That if the crops don't fail, the truckers don't strike, the refrigeration doesn't break down, the help doesn't cause damage and the customers don't graze, yes, there will be some produce to sell.

The current year is a vivid example. A freeze in Florida and rains in Mexico, combined with higher transportation costs, have shot most produce retails up 10%-25%, and some items, such as summer squash, simply disappeared.

"There are limited supplies of promotable produce. You just keep searching for every opportunity that might become available," says David Diver, produce director for Hannaford Brothers in Maine. "And it's been a tougher search."

Tomatoes and potatoes, two of the biggest tonnage items, are in short supply, and as a result, merchandisers are noting some resistance. "You have some top price points which you don't like to violate, so you take a little less markup," says Diver, "but sometimes you get into certain items, like tomatoes and peppers now, around $1 a pound, that customers get turned off temporarily."

But turning them on with weekly specials has become something of an adventure. Chains that had citrus promotions locked in a week before the freeze ended up eating a few more dollars than they counted on.

In other cases, some quick adjustments avoided a catastrophe. "We had a full-page citrus ad set up and another big deal with Florida vegetables," says Kenny Kimble, produce director for Publix, which is headquartered in the heart of Florida's agricultural belt.

While the freeze took away those promotions, Publix threw a new crop of strawberries into the breach along with leafy greens and, perish the thought, apples. But business held up very well, says Kimble.

Of course, the hole card for all produce merchandisers is the fact that the higher prices get the gross margin dollars back from less product.

And that's the easy part.

While competition within the industry as a whole intensifies, the side action in produce is getting furious. Departments are getting more space, with the understanding that they will generate a higher percentage of the store's sales.

Seven or eight per cent of total

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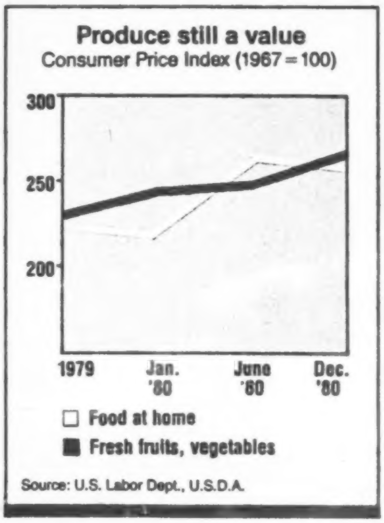
most from produce


Produce still a value
Consumer Price Index (1967 = 100)

Source: U.S. Labor Dept., U.S.D.A.

sales used to be the standard expectation for the department, but the figure is being discarded quickly, as more chains head over the 10% mark.

Management is tickled about produce's newfound traffic-building capability and, more importantly, about gross margin figures that generally start at 30% and go up. Produce has always had that figure but because of better controls in labor distribution and shrink, net dollars have been on the rise.

That fact is not lost on management, either. The push in produce has been dramatic among the largest chains. Kroger, A&P, Grand Union and Stop & Shop are among a dozen that have taken a hard look at the potential of produce and, as a result, revamped their strategies.

When Kroger recently tested a new store concept in Florida, for instance, its produce department had more space proportionately than any other single department.

And when Grand Union popped its BASICS warehouse store, produce got first position—a massive, aisle-long display of bulk produce that literally spilled onto the floor.

James Wood carried that message when he headed up the road to A&P, where Lew Kertesz had been on a one-man crusade to bring the Tea Company's produce sections into vogue.

"Mr. Wood knows produce is important to supermarkets, for a number of reasons—not the least of which is cash flow," notes Kertesz. "His philosophy is that when interest is 20%, you get more money from produce, because it turns three times a week."

But unlike the past, the cash is flowing from different areas of the department. The dominance that items like head lettuce, bananas, potatoes, tomatoes, oranges and apples had in the past is losing strength to a wider mix.

"All the things that used to be considered exotic are now considered standard," says A&P's Ken Green. But while recognizing that bean sprouts and boc choi are necessities, he notes that consumers are also digging into fresh broccoli, cauliflower, brussel sprouts and green beans with more regularity.

"There's no question that consumers are choosing a wider vari-

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Unlike some citrus fruits, tropicals such as bananas have been in good supply.

[illegible]

ety," says Allan Cartwright, produce director for Food Town Supermarkets in Lexington, Ky.

To meet those demands, Cartwright journeyed down to Mexico and developed a new line of Mexican-grown vegetables for his chain, including jicama, corn shucks and ginger root. He finds that younger shoppers take to the new varieties much more quickly than their counterparts.

Merchandisers are quickening the pace, however. "We basically carry almost everything you can buy," says Ted Lorenz, a produce operator for National Supermarkets in the New Orleans area. Part of National's strategy is simply to out-fresh the competition.

To meet that demand, the company has developed minimum requirements for produce display. "We use 120 ft. of racks no matter how big or small the store is," Lorenz says.

But as consumers have become more turned on to fresh, and the competition for their affections increases, the way in which that space is merchandised is changing.

Traditional methods have relied on blocking and tackling—using three or four demand items to pull traffic to higher impulse items. The emphasis is shifting, though, to a more aesthetic approach, because the market has become less impulsive.

Color is the key, and merchandisers are fond of talking about their artistic sensibilities as much as their management techniques. In fact, some supers have begun merchandising the entire department by color alone.

But most merchandisers prefer to group produce items by color within a specific use category: salad items, cooking vegetables, hard fruits, all in set patterns of colors.

By far, the bottom line to the entire department is the product itself. Quality is consistently ranked first by produce merchandisers as the single most important aspect.

"The challenge," says Hannaford's Diver, "is finding the items that represent a value, because that is what does the business. We all shy away from cost, but value is paramount regardless of the time period, the cost or the supply situation." ☐

Back to abnormal in commodities

Every once in a while, just to show who's boss, Nature throws the agricultural community a little curve: a freeze here, a hurricane there, even a drought or two.

And every time it happens, being a produce buyer becomes as easy as tap-dancing to "Flight of the Bumblebee."

"We always know there's going to be a problem somewhere," says Joel Nelson of the Fresh Produce Council, Los Angeles. This year, there were two.

A week-long mid-January freeze in Florida, coupled with heavy rains in Mexico, devastated the citrus and winter vegetable crops in those areas, starting a mad scramble among produce buyers to find enough product—any product—to fill department needs.

"There's a heckuva lot of demand for a lot less available produce out here," notes Nelson, as eastern buyers, who normally rely on the Southeast, jumped on the Southwest bandwagon when Florida failed.

Florida growers expect vegetable production to return to normal by next month.

Although the situation should return to normal over the next two months, the bargains that both retailers and consumers enjoyed in almost all commodities last year are over.

Acreage intentions for the winter season were down 4%, says Jules Powell of the U.S. Department of Agriculture, as were pack carryovers for process. The freeze just increased the pressure on price levels that much more.

Florida losses: The total damage to Florida citrus amounted to 22%, according to the State Agriculture Commission, while winter vegetables, including tomatoes, cucumbers, bell peppers, squash and legumes, suffered more extensive losses.

"Heavy supplies of tomatoes

(Continued on p. 56)

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were killed to the ground," says Carl Ouzts, a statistician with the Agriculture Department in Florida. Southwestern areas of the state suffered the heaviest damage, and total tomato losses were estimated at 50% of the crop.

But because of substantially higher prices, tomato plants in Dade County were being picked three of four times, as opposed to two normally, and supplies should recover within a month.

Summer squash throughout the state was obliterated, having been caught right at peak harvest time. Losses statewide amounted to 67%. Eggplants and sweet corn also suffered significant damage.

Eastern buyers found out that the news from Nogales was just as chilling. "Peppers and cucumbers are down the tubes," notes Ken Green, vice president for national produce at A&P, "and I don't see any improvement for a month."

Deep Florida freeze, rains in Mexico put produce buyers to acid test this winter

One of the worst aspects to the supply side was that two of the most promoted items, tomatoes and potatoes, were in short supply. The potato shortage, while not as sudden as tomatoes, is still troublesome. Retails are not likely to return to the "bargain" levels of last year, because farmers are simply tired of taking a beating from oversupply.

Greens triumph: The one bright spot in winter vegetables has been in lettuce and green leafy vegetables.

Florida supplies were not hurt by the freeze, and in California growers were blessed with a second straight year of plenty. Although the lettuce market has been down, given the supply, big buy-ins by retailers looking for something to promote has boosted the price.

Despite Florida's problems, fruit crops have been the savior of the produce department for the winter. From apples to watermelons, supplies have been consistently good.

Perhaps the biggest increase of any one crop has been in California avocados. Increased acreages and yields have this year paid off in a crop that is twice as large as any previous year's.

Retails for the green variety dropped from a 69 cents per to three or four for a dollar, and the California Avocado Commission has backed the crop with a heavy media blitz. Even eastern chains, cool to the western fruit in past years, have loaded up the bargain prices.

And that shining star of the deciduous set, the venerable apple, is appearing in record numbers. Crops in all areas of the country were bin busters, and with plentiful storage, apples will be polishing volume figures in many departments.

California plenty: Citrus for the fresh market is in fine shape. California produced a crop that was 30% above estimates for navel oranges. "The problem right now in California," says Ben Huang of the Agriculture Department, "is that because there are too many fruits on the trees, the sizes are small." As a result, the price spread between sizes 56 and 72 is about $5, and some smaller oranges are being fed to livestock, according to Huang.

Grapefruits, lemons and limes are adequate.

California's other leading crop, grapes, are in good shape heading into the spring harvest in Coachella, and adequate storage grapes, plus imports from Chile, will hold prices intact.

Strawberry growers are also anticipating a rerun of last year's outstanding showing. In fact, the season could get off to an earlier start, extending it another two to three weeks. Other tree fruits, volcanoes notwithstanding, are in adequate supply.

Imports abound: On the offshore and import side, supplies of tropical fruits and melons are up slightly over last year, and prices have moderated. Bananas, which got over 40 cents a pound at retail in some areas, settled down to between 29 cents and 35 cents per pound, and industry volumes are up, according to a spokesman for Castle & Cooke.

Pineapple consumption is up, too—"and it's all fresh," says the company. ☐

—**Bill Saporito**

Fruit offers inflation relief

	Price change vs. year ago	Average gross margin	Average gross margin year ago
Apples	−20%	37.6%	41.2%
Avocados	−50	45.2	38.2
Bananas	+ 3	33.3	30.4
Grapefruit	+12	37.0	36.0
Oranges, Navel	+57	34.1	37.2
Pears	+ 2	44.3	40.3
Strawberries	+ 7	25.4	27.2
Tangerines	+20	36.4	36.4

Source: U.S.D.A., *CSA* Research

Supplies force marketing change in leading vegetables

	Price change vs. year ago*	Gross profit	Gross profit year ago
Cabbage	+105%	40%	46.70%
Carrots	+ 20	45	44.10
Celery	+ 41	46	43.20
Lettuce	+ 0	46	40.00
Onions	+100	42	49.90
Potatoes	+114	33	38.25
Tomatoes	+100	30	44.00

*Based on prices f.o.b. from major shipping points.

Source: U.S.D.A.

Infighting in floral flourishes

Personnel trained in the handling and care of blooming plants, cut flowers are becoming the rule rather than the exception.

Produce '81

Recaps of floral department sales action used to sound like battle reports: flowers killed, flowers wounded, flowers sold. If the last figure outnumbered the first, then the day was a raging success.

That kind of management by survival has fallen quickly by the wayside. "Supermarkets are going after the business in a more astute manner," says Dan Dornseif of Oakdell Nurseries, a division of Weyerhouser Inc.

They have to. The floral business is undergoing some fundamental changes as the competition gets fiercer. Most floral business developed as supers discovered they could undercut local florists by about 50% and still make a good margin, especially around holiday season, which contributed the bulk of the business.

The floral customer today "is basically impulse. These are not the people who would buy at local florists," says Don Bonebrake, floral merchandiser at Ralph's Grocery Co. and president of the Floral Marketing Division of the Produce Marketing Association.

And impulse is big business. Kroger Co. chairman Lyle Everingham talked recently of doing $40 million in floral this year. That figure is ambitious, but Everingham also said that in stores with floral — and Kroger is considered by growers to be one of the best at it— produce sales to total increased 1%.

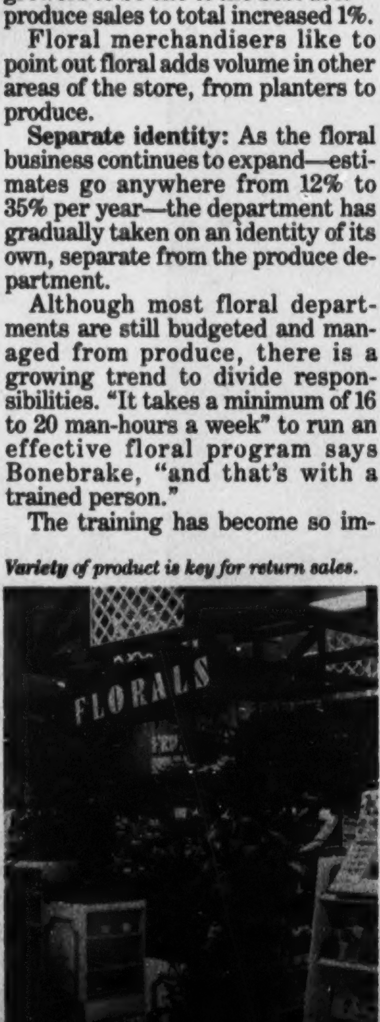
Floral merchandisers like to point out floral adds volume in other areas of the store, from planters to produce.

Separate identity: As the floral business continues to expand—estimates go anywhere from 12% to 35% per year—the department has gradually taken on an identity of its own, separate from the produce department.

Although most floral departments are still budgeted and managed from produce, there is a growing trend to divide responsibilities. "It takes a minimum of 16 to 20 man-hours a week" to run an effective floral program says Bonebrake, "and that's with a trained person."

The training has become so important because competition has forced companies to expand varieties and handle more delicate foliage. Blooming plants and cut flowers are grabbing a larger share of the market, and handling them takes more training than most produce clerks have.

Variety of product is key for return sales.



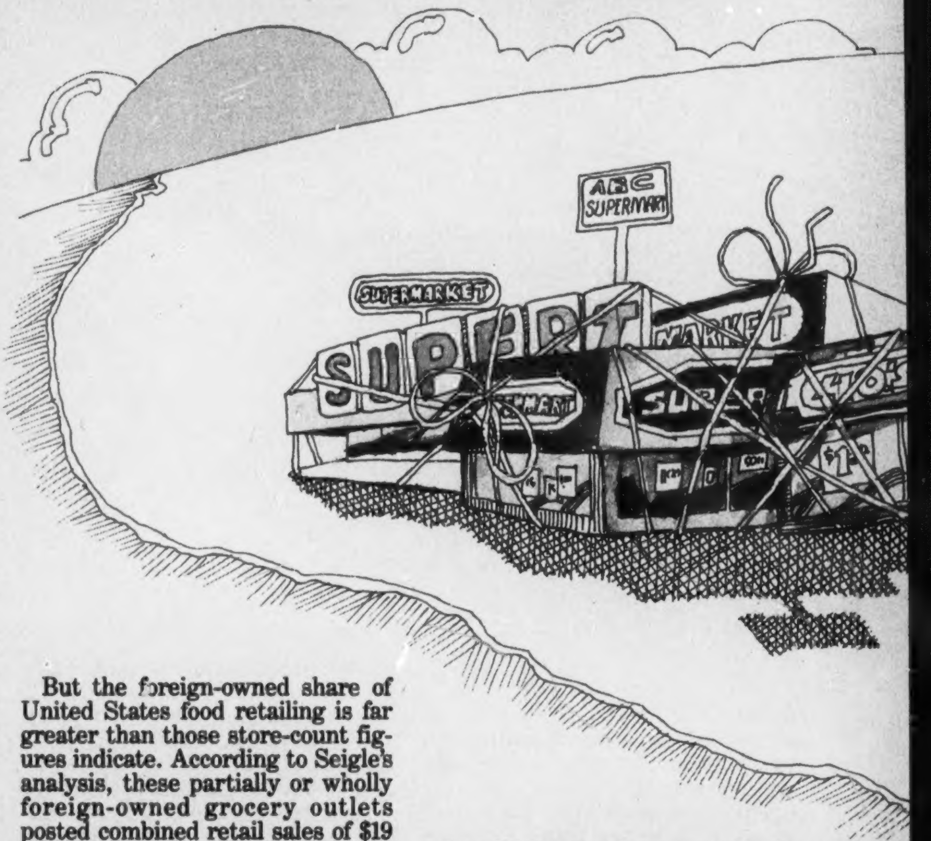
"Our business is 60% cut flowers," notes Ted Lorenz of National Supermarkets Inc. in Hanrahan, La. And with that kind of investment in such delicate merchandise, he adds, "As far as I'm concerned the produce manager will never take care of it."

Each of National's departments in Louisiana has a state-licensed florist running the show as if it were a private enterprise. National, unlike most, does compete with local florists for weddings and other field work. "You're in competition with the florists," says Lorenz, "so you have to run it like that."

Supermarket viewpoint: Regardless of the orientation of floral, it must still be run from within a supermarket perspective, and the matter has become increasingly important for floral managers. Universal Price Codes are foremost. "The floral industry has got to get something accomplished and start thinking about how they're going to label the products," says Bonebrake.

Another critical area, says Bonebrake, is packaging. "The biggest problem is that some growers pack six and some eight to a carton. It needs to be standardized." ☐

Foreign investors tighten hold on U.S. food chains



For the past three years foreign food firms have swept through the United States supermarket industry on an acquisition blitzkreig, snapping up over a dozen major American food chains including A&P, Colonial Stores, Applebaum's, Furr's and Weingarten's.

As of last month, no less than 15 different West German, British, French, Canadian and other foreign food chain powers had established beachheads in American grocery retailing, and more were waiting in the wings.

The result: In a period of less than two and a half years foreign investors more than doubled their stake in the United States supermarket industry, buying into nearly two dozen national and regional grocery chains that together account for over 10% of the nation's total retail food sales.

Most supermarket industry boardroom execs view the invasion as a result of the declining dollar on foreign money markets, coupled with undervalued chain stock prices on Wall Street.

Deeper reasons: But a new U.S. Department of Agriculture study suggests that the reasons for the sudden surge of foreign investment in American food retailing run far deeper.

Moreover, the U.S.D.A. report predicts that the trend toward foreign takeovers in the domestic grocery story industry will continue, at least in part because of our own capital gains tax laws and a hands-off policy by the Federal Government.

That report, prepared by Naaman Seigle of the Food Economics Branch of U.S.D.A.'s Economics and Statistics Service, found that the number of United States food chains partially or wholly owned by foreign firms has exploded from two in 1970, to six in 1975, to 23 by last year.

As of April 1980 (the latest figures available to U.S.D.A.), these chains operated 4,161 United States grocery stores (3,848 supermarkets and 313 convenience food outlets), or 2.5% of all American food stores.

But the foreign-owned share of United States food retailing is far greater than those store-count figures indicate. According to Seigle's analysis, these partially or wholly foreign-owned grocery outlets posted combined retail sales of $19 billion in 1979—a whopping 10.7% of all United States grocery store volume.

Three of the supermarket chains targeted for acquisition by foreigners in recent years rank among the top 10 American food retailers (A&P, Grand Union and Albertson's) and nine of them grossed over $500 million in 1979.

Overseas firms now control majority of stock in 18 American supers

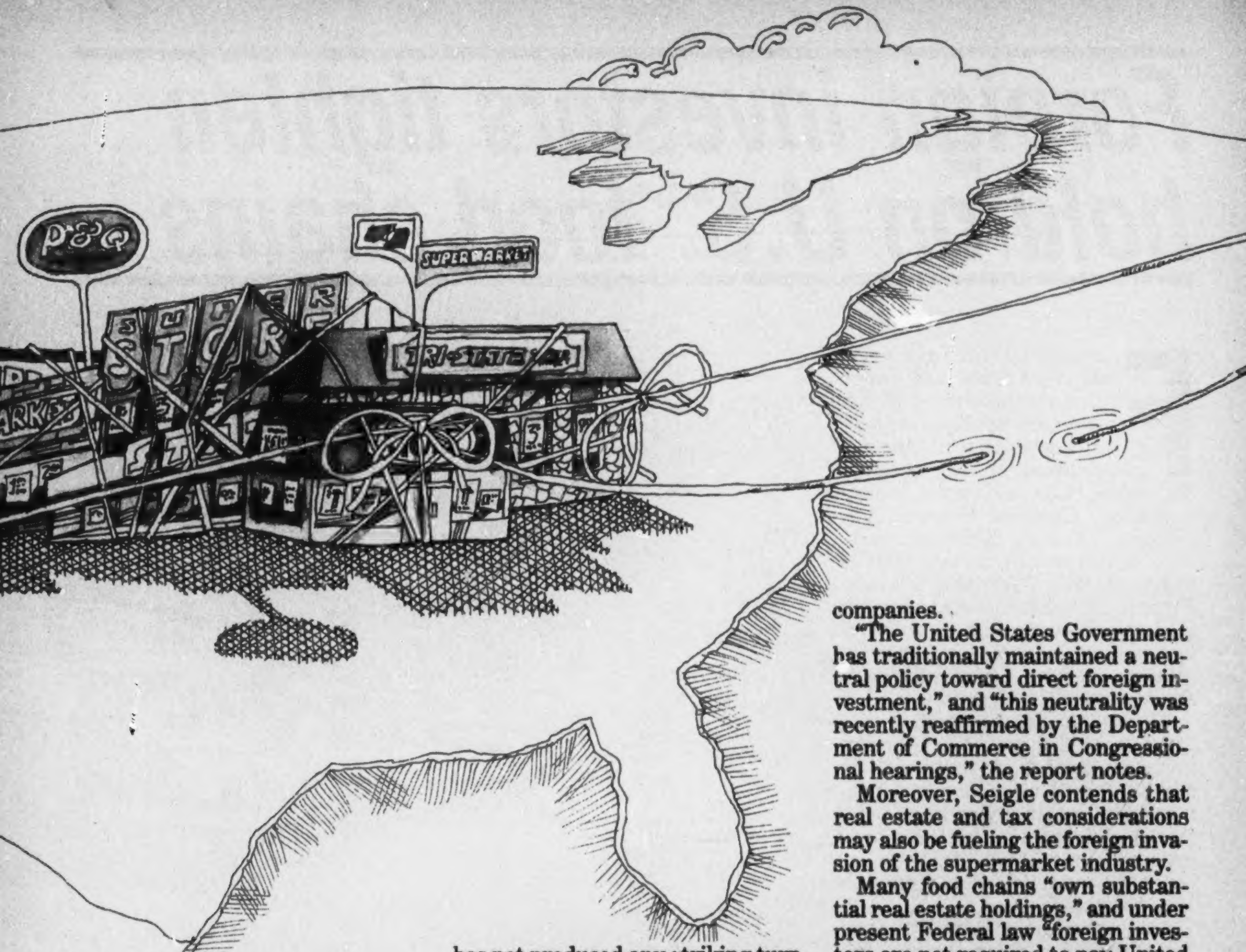
Midsized targets: But according to U.S.D.A. economist Seigle, "The foreign investors' favored affiliation is with the midsized local chain with annual sales under $500 million."

In addition "to the more 'affordable' size of these midsized regional and local chains, they are generally stocked with a single warehouse that contributes to the cohesiveness and efficiency of the operation, making the chains attractive investments to foreign firms," he maintains.

Although overseas investors do not hold a majority interest in all 23 chains identified in the report (as of last year foreigners owned only about 9% of Albertson's and Pacific Gamble Robinson), non-United States firms controlled a majority of the stock in 18 of the chains, and all but four of them are now wholly owned affiliates of their foreign parents.

Significantly, the study found a distinct pattern behind the recent industry takeovers.

With the exception of A&P and National Tea, "The United States



affiliates of foreign firms tend to concentrate in the southeastern and southwestern . . . Sunbelt regions which are experiencing above-average population growth," the report noted. "Thus, for many cities in these regions the share of sales controlled by foreign-owned retailers is considerably higher than the national average."

No major changes: Since most foreign food chain acquisitions have occurred within the past three years, Seigle contends that "it is still too early to assess changes in performance of United States affiliates under their new ownership."

In general, he notes that foreign owners have not yet made significant shifts in the operation or management of their new United States subsidiaries. But "a dramatic exception is Aldi Benner, of West Germany, who introduced the limited assortment 'box stores' in this country, patterned after their successful European operations."

As for the bottom-line effects of these foreign supermarket takeovers, Seigle contends that the injection of pounds, marks and francs has not produced any striking turnarounds among the acquired chains.

"Grand Union and Food Town stores have increased their profitability following foreign ownership, but the financial problems of other large retailers such as A&P and FedMart have continued under foreign control," he says.

Attractive ventures: In analyzing the reasons for the recent upsurge in food chain acquisitions by foreign operators, the U.S.D.A. economist acknowledges that "a favorable exchange rate and undervalued common stock, priced at or below book value, makes food retail firms attractive ventures for foreign investors."

And, "some United States retailers have been receptive to foreign investment as a source of funds to finance growth in a tight money environment," he says. "Food Town Stores, for example, has increased sales more than fivefold since Delhaize, of Belgium, acquired 52% ownership in 1974."

But Seigle suggests that there are other important factors at work, including Federal tax and trade policies that encourage foreign takeovers of United States companies.

"The United States Government has traditionally maintained a neutral policy toward direct foreign investment," and "this neutrality was recently reaffirmed by the Department of Commerce in Congressional hearings," the report notes.

Moreover, Seigle contends that real estate and tax considerations may also be fueling the foreign invasion of the supermarket industry.

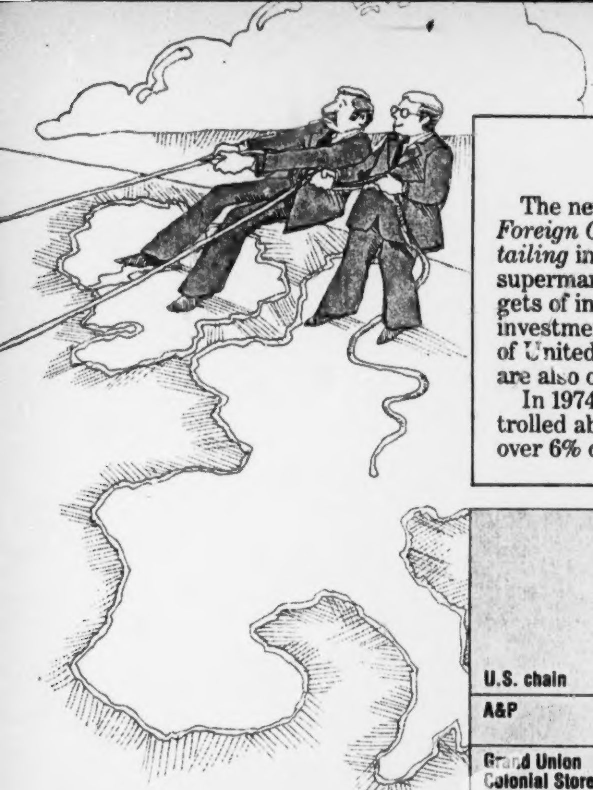
Many food chains "own substantial real estate holdings," and under present Federal law "foreign investors are not required to pay United States capital gains tax on the sale of real estate in this country," he explains.

In addition, Seigle argues that regulatory restrictions on food chain growth in France, West Germany and other European nations are further encouraging these foreign firms to expand beyond the borders of their home countries into the United States.

"In West Germany," for example, "laws restrict new supermarket openings and place controls in their operations. . . . Large retail firms are required to obtain approval from neighborhood residents and merchants before constructing large supermarkets."

One-way street: At the same time, many foreign countries are anything but receptive to expansion from United States food chains into their territories.

Japan sets notoriously restrictive barriers to foreign investment; Mexico and West Germany also discourage United States retail competition on their soil; and even Canada is tightening up its policies toward American food chain expansion, Seigle told *Chain Store Age*.



Congress isn't totally unconcerned about this trend, however. Last year House Consumer Protection Subcommittee Chairman James Scheuer (D-N.Y.) and Judiciary Committee Chairman Peter Rodino (D-N.J.) cosponsored legislation setting restrictions on investment in United States firms by foreigners whose governments erect similar barriers to American expansion.

But that bill failed to clear the last Congress and prospects for similar legislation this year appear bleak since Scheuer's consumer panel was abolished at the start of the session.

As for the future, Seigle sees little reason to expect any major changes in the trend toward foreign food chain takeovers.

"If interest rates remain high, United States retailers will continue to look at foreign investors as possible sources of funds to finance expansion and store modernization," he says.

"At the same time, many foreign retailers are finding it difficult to grow in their home countries and are looking for larger markets."

Although the rapid-fire pace of foreign food chain acquisitions over the past few years may slacken somewhat during the 1980's, "these conditions suggest a continuation of foreign investment in United States food retailing," he concludes. ☐

—Ken Rankin

Target: U.S. food suppliers

The new U.S.D.A. study of *Foreign Ownership in Food Retailing* indicates that American supermarkets aren't the only targets of increasing overseas investment. Foreign acquisitions of United States food processors are also on the upswing.

In 1974, foreign firms controlled about 4% of the sales and over 6% of the total assets of United States food manufacturing. Since then, overseas firms have made even broader inroads among supermarket industry suppliers.

By the end of 1979, foreign investment in United States food manufacturing had reached $2.56 billion and was growing at a rate of more than $300 million annually, according to the report.

Who owns the U.S. supermarket industry?

U.S. chain	Foreign investor	Date of acquisition or major investment	% of foreign ownership[1]	1979 sales ($ mil.)	Share of total U.S. grocery store sales[1]
A&P	**Tengelman Group (West Germany)**	1978	45	$ 6,684[2]	3.80%
Grand Union **Colonial Stores** **J. Weingartern**	**Cavenham Ltd. (United Kingdom)**	1973 1978 1980	100 100 97	3,874[3]	2.20
Albertson's **Pronto Markets**	**Theo Albrecht Group/ THS (West Germany)**	1979 1979	9 100	2,817[4]	1.60
National Tea **Peter J. Schmitt** **Applebaum's**	**Lobaw Companies Ltd. (George Weston Ltd.) (Canada)**	1956 1965 1979	84 100 100	1,763[5]	1.00
Food Town **Alterman Food**	**Delhaize Freres & Cie "Le Lion" (Belgium)**	1974 1980	52 100	829[6]	0.50
Furr's	**Rewe Handelgesellschaft OHG (West Germany)**	1979	100	550[7]	0.30
FedMart	**Wertkaug Mann Co. (Hugo Mann Group) (West Germany)**	1975	66	548[8]	0.30
Bi Lo Inc.	**Ahold, NV (Netherlands)**	1977	100	540[7]	0.30
Kohl's Food Stores	**British-American Tobacco Co. Ltd. (United Kingdom)**	1972	100	450[9]	0.30
Scrivner Inc. **Pacific Gamble Robinson**	**Franz Haniel & Cie, Gmbh (West Germany)**	1977 1976	100 9	548[10]	0.30
The Red Food Stores	**Promodes, SA (France)**	1979	100	206[11]	0.10
Benner Tea	**Aldi, Gmbh (West Germany)**	1979	100	150[12]	0.08
Hop-In Food Stores **Fairview Ltd.**	**Silverwood Industries (Canada)**	1980 1980	33 100	60[12]	0.03
Lil Champs Food Stores	**Societe Docks de France (France)**	1977	35	23[14]	0.01
3 Guys Inc.	**Albert Gubay/ Three Guys (United Kingdom)**	1980	100	n.a.[15]	n.a.
Total investment				$18,990	10.7%

[1] Direct or indirect ownership of voting securities—April 1980. [2] Fiscal year ended Feb. 23, 1980. [3] Includes J. Weingarten sales reported to June 30, 1979: $566,118,000. [4] Includes estimated 1979 sales of Pronto Market Inc. [5] Excludes Schmitt's wholesale and Park Edge sales. [6] Excludes Alterman's wholesale operations. [7] Estimated sales. [8] Food store sales only, as of Sept. 2, 1979. [9] Food store sales only, estimated total company sales $600,000,000. [10] Does not include wholesale sales. [11] June 3, 1978-June 2, 1979. [12] Industry estimate. [13] Hop-In sales—Jan. 1, 1979-Dec. 31, 1979 = $48,633,462. [14] Excludes gasoline and pinball machines concession. [15] Opened January 1980.

Source: *Foreign Ownership in Food Retailing*, U.S.D.A. Economics and Statistics Service, Food Economics Branch.

Keeping pace with sudden market shifts

A dramatic market change can turn a stable category into a cauldron of uncertainty.

When that occurs, scan analysis can make the difference between overreacting and underreacting—that is, losing sales because of out-of-stocks on one hand and carrying excessive inventory on the other.

The case of Rely tampons and the toxic-shock syndrome is a prime example.

Before September 1980, Rely had a 20.2% share of the tampon market (based on TRIM analysis of Western and Midwestern stores). In October 1980, Rely was off the shelf.

What happened as a result? Did tampon sales suffer badly? Did customers shift to sanitary napkins? And what happened to the combined napkin and tampon market?

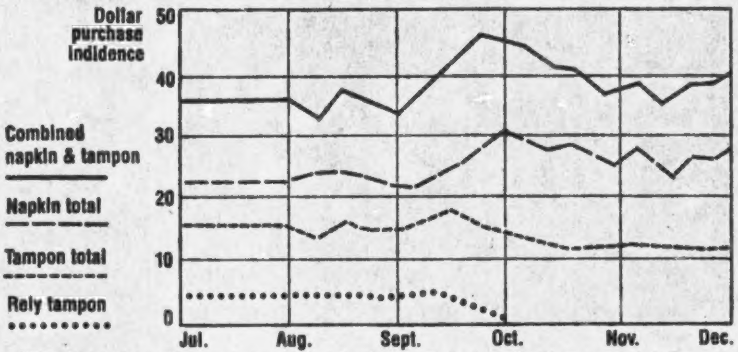
Before scanning, buyers relied on warehouse shipments and shelf stock to answer these questions. Scan analysis provides weekly data on what is actually sold in the store.

A TRIM analysis of sanitary product sales in the Midwest and West for the July-December 1980 period, revealed the following:

Tampon sales plummeted approximately 30%. Thus, even subtracting Rely's 20%, the tampon market suffered an additional 10% downturn.

Sanitary napkin sales rose dramatically, with increases averaging 25% after Rely had been withdrawn. Of the three types—maxi-pad, mini-pad, and panty shield—maxi-pad showed the largest increase. Analysts hypothesize that women started buying this type of more absorbent product to replace the superabsorbent Rely. Sales of mini-pads and panty shields remained relatively constant.

During the September-October period, when toxic-shock syndrome surfaced and Rely was withdrawn, customers evidently stocked up on the other tampons, along with sanitary napkins. As a result, aggregate sales tapered off after the October crisis. Only in December, when home supplies of sanitary napkins bottomed out, did the shoppers' buying curve move upward.

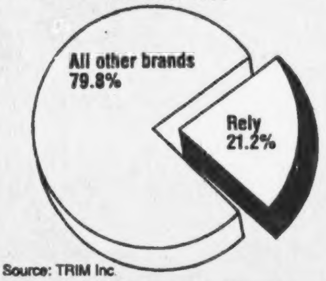


TSS shifts sanitary product shares

Toxic-shock-syndrome impact

This chart shows the week-to-week sales for the Rely brand of tampons, total tampon products and total sanitary napkin products. The time period covered was July through December 1980. Sales are expressed as dollars per 1,000 shoppers (purchase incidence).

Source: TRIM Inc.



Rely share of tampon category

Summer 1980

Source: TRIM Inc

In tampon sales, Kotex, Playtex, and o.b. were all down. Sales of Tampax, the original tampon item and market share leader, stood unchanged. Supermarket buyers felt that over the years Tampax had built a solid consumer franchise based upon the confidence of women. Thus, this longtime faith paid off when the market topsy-turvied.

The lesson to be learned from tampons cannot be transferred directly to dissimilar products. However, the process of monitoring a fast-changing category can be applied to many others. ☐

New system gives produce shrink the scanning once-over

Although some bagged produce is UPC-coded and scanned, most bulk items are velocity-coded. But the end result is the same: Sales data is entered into the scanner and becomes part of the scan analysis system.

Scan analysis in produce is evident in four areas: shrink, location of items, cross-merchandising and price evaluation.

A recent survey of supermarketers reveals that controlling shrink is the single most important concern of produce executives. That is why one West Coast chain operator developed a Produce Shrink Measurement System (PSMS) as his first application of scan data.

Conceptually, PSMS is not complex. Since inventories are usually taken by produce managers in units or pounds—and scan data provides the information weekly—the operator can measure shrink weekly. This can be accomplished by adding the beginning inventory to the shipments received, and then subtracting the ending inventory. The figure arrived at is the amount of product that should have been sold. Comparing that figure with the scan

ORANGES
59¢
PINEAPPLE
69¢
TEXAS STAR

An accurate inventory on shipments is vital to scan-assisted shrink measurements.

movement reveals the units of shrink for each product.

Before scan, produce analysis consisted of aggregate dollar sales—totals rung up at the register. With scan analysis, the chain can compare *product* movement with product ordered.

Analyzing by product is especially important during periods of inflation, because price shifts distort shrink figures. If tomatoes sell for 39 cents a pound during the early part of the week, and then go up to 49 cents on the weekend, the old system would attribute the 10 cents per pound difference to shrink.

Still, shrink measurement systems are difficult to devise because of variance in the size of cases of the same item. For instance, one week lettuce may be packed 30 heads to the box; the next week, it may be 40 heads.

The critical requisite is a twofold discipline: one, discipline to record incoming shipments to the store in the proper unit level (by pounds, each, etc.); two, scan discipline—ensuring that all products at the checkout are recorded.

One regional chain discontinued PSMS after six months due to lack of discipline in recording incoming shipments. ☐

Lettuce lovers spend more

People who buy lettuce spend 75% more during an average shopping trip than people who do not buy lettuce. This was one of the principal findings in a recent survey of 45,000 shoppers, conducted by Bruce Church after analyzing TRIM's Transaction Analysis (PTA) data. (See *CSA Supermarkets*, August 1980.)

The data revealed that those who included lettuce in their purchases spent $3.16 for produce and $36.91 for all items. Nonlettuce shoppers spent only $1.87 for produce and $21.06 for all items.

Armed with this data, a retailer might decide to promote produce—especially lettuce—more heavily because lettuce purchasers spend more.

But how can this data be captured when produce is not being scanned?

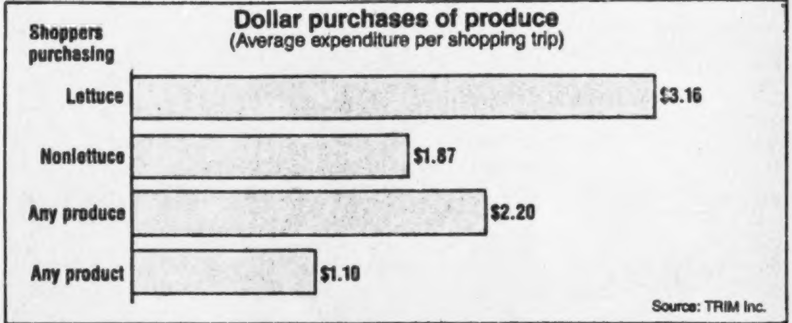
Although keying in codes for produce items is not scanning from a technical viewpoint, it does fulfill the scanning function.

Average expenditure per shopping trip

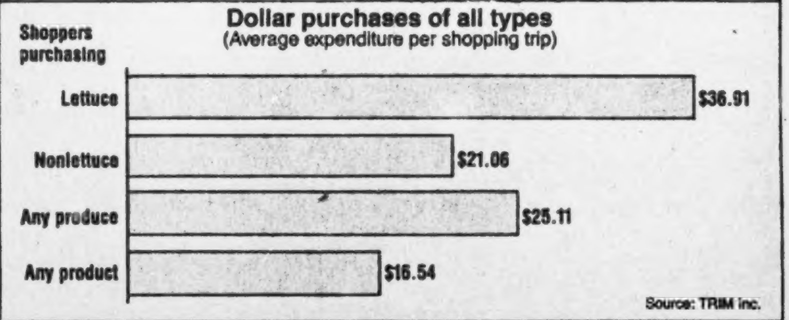
	For produce	For all items	No. of shoppers	% of shoppers
Lettuce shoppers	$3.16	$36.91	5,933	12.8
Nonlettuce produce shoppers	1.87	21.06	17,276	37.3
Produce shoppers	2.20	25.11	23,209	50.1
All shoppers	1.10	16.54	46,353	100.0

Real lettuce price: 49¢

Source: TRIM Inc.

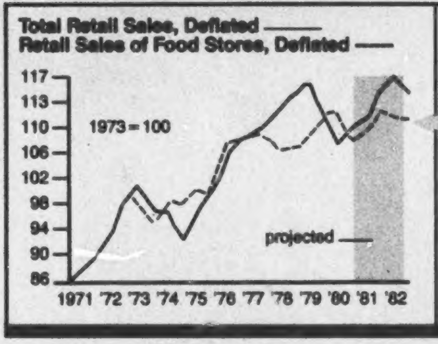

Dollar purchases of produce
(Average expenditure per shopping trip)

Source: TRIM Inc.


Dollar purchases of all types
(Average expenditure per shopping trip)

Source: TRIM Inc.

See growing upturn ahead in '81



Food Stores

Sales Change By Quarter / **12-Month % Change**

	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81** 1Q %	'81** 2Q %	'81** 3Q %	'81** 4Q %	'79 %	'80 %	'81** %
Sales include Inflation	10.5	10.0	11.6	10.3	10.0	9.9	8.4	8.5	11	10	9
Real sales (Deflated)*	5.3	4.6	2.3	– 0.8	– 2.7	–3.1	–0.8	2.4	1	3	–1

*Base = Nov. 1980 Sales
**Projected

Two months ago, the L/F Econocycle composite on household spending (chart below) began to trace a grassroots recovery in retail sales. (Through the 70's, this index has, in fact, accurately led and "mirrored" the major twists and turns in retail sales performance.)

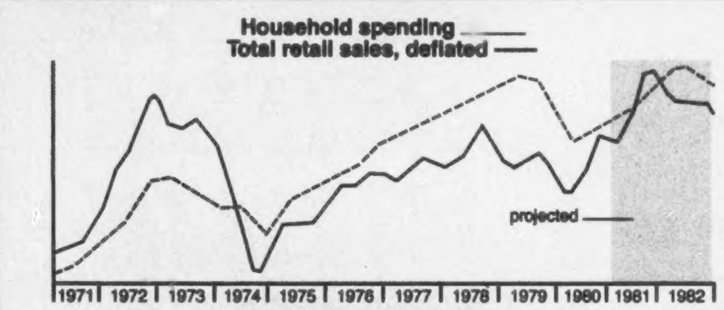
This month, despite a recent barrage of interest rate hikes, retail sales are continuing to show a strong "kick" and appear to be heading for a sharp improvement in the second quarter.

Household spending as a key index, the trendlines show, is already moving at a hotter pace than retail sales. As in 1972-73, household spending is projected to drive above sales levels on the index-scale for the first time since mid-1974. (But the trend to watch is later in the year when the curve may start downward again.)

Compared to all other sectors of retailing, food stores seem to be on a solid recovery track again, the Econocycle index (above) indicates. After trailing overall retail performance in 1977 and 1978, supermarkets outpaced the field over the past two years (despite a slight downward drop to –0.8% in the fourth quarter of 1980).

The L/F Econocycle projects that supermarket growth will parallel the general pattern of retailing and continue on a gradual recovery path through the balance of the year. Real sales (minus inflation) are forecast to hit –3% in the second quarter, then begin to ease upward in the third quarter heading for what should be a real gain of 2% plus in the last period.

And in its marketshare battle with restaurants for the shifting food dollar (eat-in vs. eat-out) Econocycle indicators still give the edge to supermarkets for the rest of the year.



Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	8.9	10.5	8.6	7.6	12.0	9.3	5.7	8.9	8.2
	2Q	– 1.6	10.0	7.9	– 8.9	10.9	1.4	6.5	4.8	4.5
	3Q	2.9	11.6	7.4	– 9.2	10.1	– 0.4	4.9	4.4	3.4
	4Q	6.2	10.3	4.8	– 2.7	13.3	5.2	6.4	5.2	5.5
1981	1Q**	5.7	10.0	3.9	1.2	9.8	6.1	5.7	5.5	5.7
	2Q**	13.3	9.9	7.4	14.3	10.5	13.6	7.8	8.7	9.5
	3Q**	9.4	8.4	10.0	5.4	10.8	11.8	8.3	7.1	8.4
	4Q**	9.5	8.5	8.8	– 2.9	8.2	10.7	8.5	4.4	6.6
% change 12 mos.	1979	12.0	11.0	9.0	14.0	9.0	14.0	9.0	9.0	10.0
	1980	4.0	10.0	7.0	– 3.0	11.0	3.0	6.0	6.0	5.0
	1981**	9.0	9.0	7.0	4.0	10.0	10.0	7.0	6.0	7.0

Real Sales (Deflated)*
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	– 1.7	5.3	– 1.5	– 2.1	3.9	3.8	1.0	1.7	2.0
	2Q	–11.0	4.6	– 1.4	–17.8	1.8	– 4.4	2.3	–2.3	–1.8
	3Q	7.0	2.3	– 1.7	–18.3	0.4	– 7.1	0.4	–3.3	–3.3
	4Q	– 3.8	– 0.8	– 3.9	–12.0	3.3	– 1.3	1.5	–2.6	–1.4
1981	1Q**	– 2.0	– 2.7	– 3.9	– 6.4	1.4	– 0.2	1.5	–1.2	–0.4
	2Q**	6.3	– 3.1	– 1.1	6.8	4.1	7.1	2.6	2.2	3.3
	3Q**	3.9	– 0.8	1.2	– 1.9	6.2	5.8	3.1	1.0	2.5
	4Q**	5.3	2.4	0.9	– 9.9	5.1	4.6	3.9	–1.7	0.9
% change 12 mos.	1979	2.0	1.0	– 2.0	5.0	2.0	8.0	6.0	3.0	4.0
	1980	– 6.0	3.0	– 2.0	–12.0	2.0	– 2.0	1.0	–2.0	– 1.0
	1981**	3.0	– 1.0	– 1.0	– 3.0	4.0	4.0	3.0	—	1.0

*Base = Nov. 1980 Sales
**Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

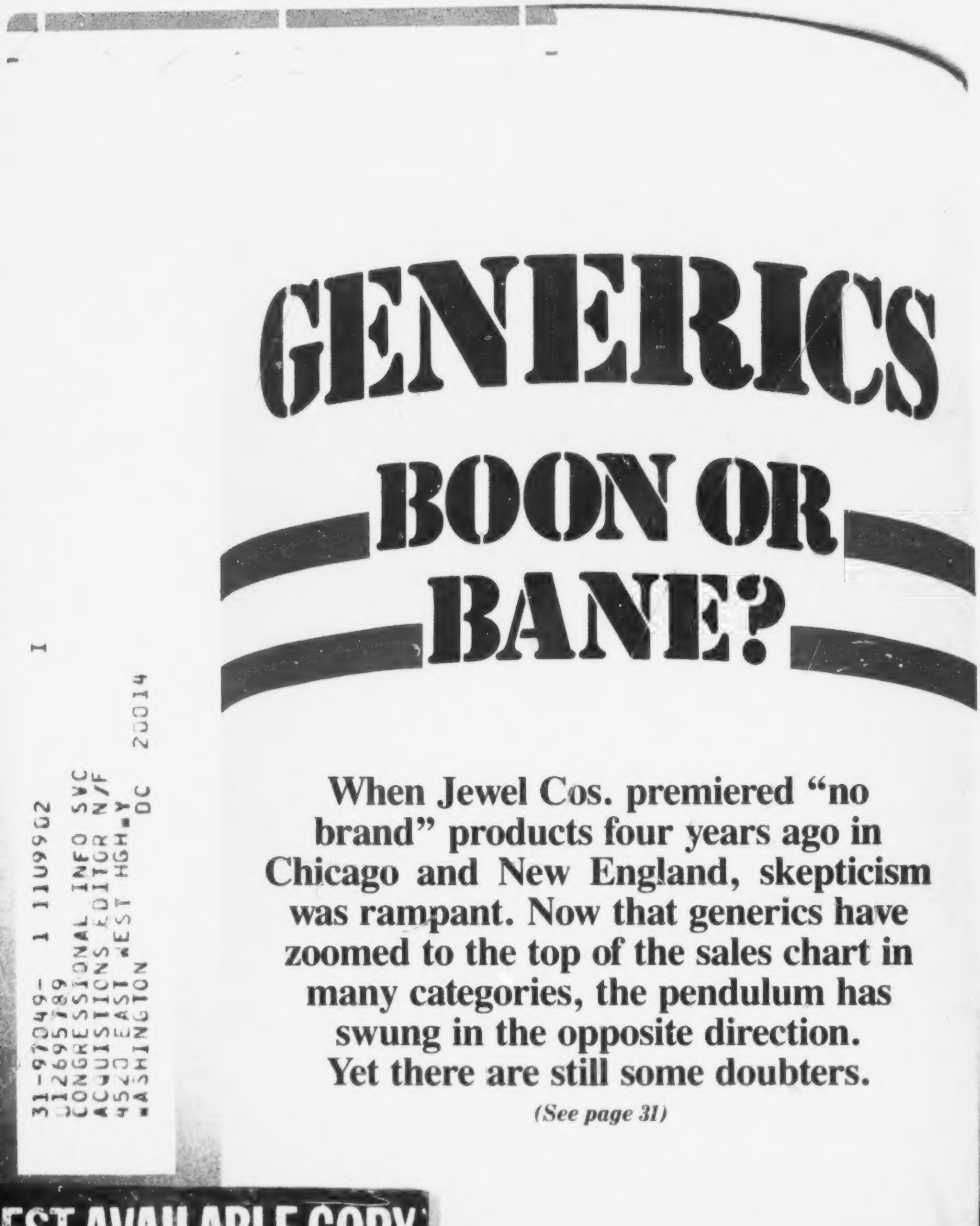
Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

Aldi boxes the Chicago chains

Shoppers evaluate hot L.A. market

Lee Javitch: forging a regional Giant

Chain Store Age
Supermarkets
THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES
April 1981



GENERICS

BOON OR BANE?

When Jewel Cos. premiered "no brand" products four years ago in Chicago and New England, skepticism was rampant. Now that generics have zoomed to the top of the sales chart in many categories, the pendulum has swung in the opposite direction. Yet there are still some doubters.

(See page 31)

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Chain Store Age
Supermarkets

April 1981

A *"bit of merchandising genius" has made William's Grocery top-draw entertainment for Syracuse shoppers* .... *p. 46*

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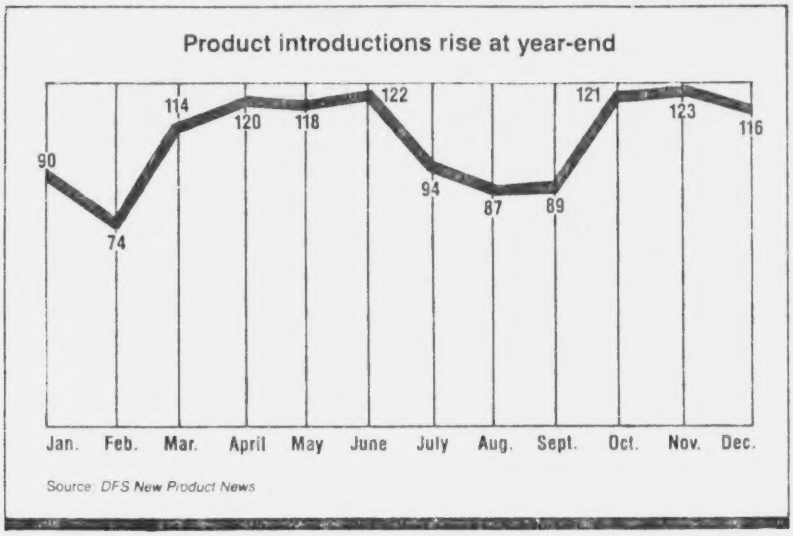
EXPRESS CHECKOUT

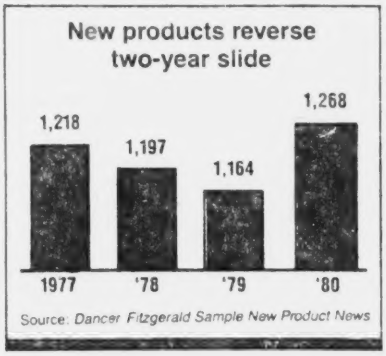

Product introductions rise at year-end

Source: *DFS New Product News*

Suppliers reach new item record

Thanks to a high level of new product activity during the fourth quarter, manufacturers established a new record for the number of supermarket items introduced in a 12-month period. Suppliers rolled out 1,268 new items according to *DFS New Product News*, 9% above 1979's total of 1,164.

The total number of flavors, colors and product varieties also rose substantially, reports Dancer Fitzgerald Sample, New York-based ad agency and compiler of such statistics for the last 17 years. Last year's figure of 2,689 represents a significant rise from 1979's 2,581.


New products reverse two-year slide

Source: *Dancer Fitzgerald Sample New Product News*

The greatest number of new products appeared in the health & beauty aids category, 298; frozen foods were a distant runner-up with 184. Rounding out the list of five most active categories are candy and gum, 93 items; sauces, spices and condiments, 85, and household supplies, 76.

Categories showing the biggest percentages increases in new product introductions in 1980 were desserts, sugars and syrups (+100%), breakfast cereals (+42%) and paper products (+41%).

Of course, some departments didn't have such a torrent of items rolling onto the shelves in 1980. Soups, macaroni, potatoes and rice, beverages, baking ingredients and breads, cakes and cookies were all categories in which new product activity proved more sluggish last year than in 1979.

Convenience units to grow in 1980's

A new Frost & Sullivan report suggests that the supermarket's toughest competitor over the next decade will continue to be the convenience store, rather than any of the Johnny-come-lately no frills formats. The New York-based firm projects 188% sales growth between 1979 and 1989, boosting this retailing segment's annual sales to near $30 billion.

By the end of the 1980's, Frost & Sullivan theorizes, there will be 54,000 convenience stores which will account for approximately 10.4% of retail food sales in 1989, vs. the current 6.0%.

Among the factors leading to bantam unit expansion:

1. Changing product lines. Sales of dry drink mixes, snacks and yogurt are booming in convenience stores, and the proliferation of microwaves hints at a big move into convenience meals and frozen red meats.
2. The food service boom. Young adults, c-stores' main customers, are also big patrons of away-from-home feeders.
3. Innovations in food packaging. The advent of the retort pouch will probably propel convenience stores into the entree market during the new few years.
4. Shifting trading practices. A move to wholesalers and centralized warehousing, Frost & Sullivan suggests, will cut distribution costs materially and eliminate the necessity of buying full cases.

New Ralphs marks L.A. bicentennial

Ralphs showed its civic spirit in a traffic-drawing promotion for the opening of its new Rolling Hills, Calif., unit. Tying in with the ongoing celebration of the Los Angeles bicentennial, the chain gave each of the first 500 people entering the store a complimentary Bicentennial Birthday Dollar.

FOR SHOPPING AT
Ralphs

The actual coin given commemorates aeronautical achievements in the Los Angeles area and is one of a set of six such coins that will ultimately be issued.

EXPRESS CHECKOUT

Maryland retailer childproofs a store

With one ingenious stroke, a Maryland independent has eliminated the greatest natural disaster facing the modern supermarket: the modern child.

In his new George's Super Thrift in Eldersburg, owner George Mezardash built a special playroom for kids into the 25,000-sq.-ft. superstore.

Georges Jungle

The playroom is equipped with a video tape machine, games and coloring books designed by Mezardash about supermarket courtesy. The room is supervised by one soon-to-be-sainted employee, Kay Lioi, and two helpers.

Parents sign the youngsters in when they arrive, leaving them free to shop in a much calmer atmosphere.

The response, says Mezardash, has been phenomenal. "Customers tell me that they drive out of their way so they can shop here while we watch the kids," he says.

L-F publishes floral primer

Floral departments were few and far between in supermarkets just a few years ago. Once sold primarily as in-and-out promotions, cut flowers, plants and accessories have now won a permanent home in most superstores.

Unfortunately, lack of information about the category probably costs retailers at least some of the profits that this category generates.

To the rescue comes *Floral Marketing* by Dana C. Goodrich Jr. This 227-page compendium of floral knowledge makes a fine introductory text for supermarketers who have recently added floral—or who are contemplating doing so in the near future. There's no substitute for "hands on" experience, of course, but *Floral Marketing* makes an excellent backgrounder. Its wide-ranging coverage of the essential facets of this department also makes Goodrich's book ideal as a first step in the training of floral workers at store level.

Floral
MARKETING

Floral Marketing begins with a brief history of floral production, marketing and retailing. It traces the origins of the business from the family concerns of yesteryear to the mass merchandisers of today.

This firm foundation established, the book turns its attention to the essentials of operating a floral department. Included are a profile of the market, tips on reducing floral shrink, insights into advertising and promotion and much more.

The second section of the book narrows the first half's focus considerably. It specifically emphasizes operations of a supermarket floral section and includes chapters dealing with the shape of the market, department formats, procurement and receiving, product handling and merchandising.

Copies of *Floral Marketing* may be ordered directly from the publisher, Lebhar-Friedman Books, 425 Park Ave., New York, N.Y. 10022. Cost per book is $19.95, with quantity discounts available.

Judge orders Liberal closing

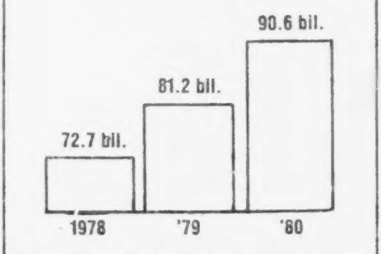
Despite Herculean efforts over the last 12-18 months to save the foundering chain, Liberal Markets has probably rung up its last order. Acting on a petition by its largest creditor, Malone & Hyde, a Federal bankruptcy judge has ordered Liberal to shut its last 10 units and liquidate its remaining assets. The chain had filed for reorganization under Chapter XI in mid-February.

In its petition, Malone & Hyde contended that Liberal would need a weekly volume to break even of $480,000. Sales had dropped to about $300,000 a week after the company's workers struck last Jan. 19.

Couponing doubles in last four years

The nation's manufacturers distributed a total of 90.6 billion coupons in 1980, the Nielsen Clearing House estimates. This represents a 9.4-billion increase over 1979, a 12% jump. Manufacturers distributed 45.8 billion cents-off chits in 1976, meaning that this type of promotion has virtually doubled since then.

Number of coupons still on the rise



Source: Nielsen Clearing House

Daily newspapers are the prime means of delivery. Counting both solo and co-op couponing efforts, the dailies represented 48.2% of total distribution last year.

Accounting for a steadily increasing percentage of coupon delivery are Sunday papers, with a 27.4% share. Biggest increase within the segment is in freestanding inserts.

GENERICS BOON OR BANE?

Their market share is growing, but it's clear 'no frills' is no black-and-white issue

The rapid increase in the market penetration and consumer acceptance of generic products has turned the once-academic disagreement between no frills' friends and foes into a heated, industrywide debate.

Overcoming a somewhat shaky start—Jewel reportedly experienced some difficulty figuring out the best way to merchandise the stuff to its customers during the early going—generics have become an important element of retailing life. Enterprising retailers have expanded on the original concept, fielding such items as generic frozen foods (begun by King Soopers), tuna (Chatham) and produce (Hillman's). Contributing less than 1% of total supermarket industry sales as recently as 1978, plain wrap items currently represent at least 3% of total dollar volume, and the figure soars to over 11% in certain categories like detergents.

Another way to gauge the meteoric rise of generics is to look at the growing number of retail grocers handling such lines. A new survey of the top 100 corporate chains compiled by *Chain Store Age Supermarkets* shows that 76.5% now stock generics. While larger-scale operators are, admittedly, the most likely to take up new ideas like generics, this result is a far cry from last year's somewhat more wide-ranging study. The earlier poll indicated that about 15,000 supers—a little over 37% of the industry—was offering plain wrap products.

Based on the expressed marketing merchandising plans of the companies participating in the study, the penetration of generics into the big chains will show a further sizable increase this year, too. One out of every four top 100 retailers that doesn't presently carry generics plans to start in 1981. In other words, over 80% of the major chains will have those products on their shelves by Jan. 1, 1982.

Chain programs expand: There's been a corresponding growth in the scope of individual chains' generics programs. Although many retailers began gingerly, trying as few as a dozen sku's, the average supermarket carrying generics now stocks 121.3 items. Some outfits, however, have developed much more extensive programs, with generic assortments running as high as 350-400 at companies like Smith Management and King Soopers.

Typically, most of the items are food products, despite the fact that certain general merchandise categories—paper goods, bar soap and household supplies to cite three examples—have demonstrated excellent sales performance. Nonfoods items account for approximately 20% of chain generic assortments, though that figure runs as high as 60% in select cases.

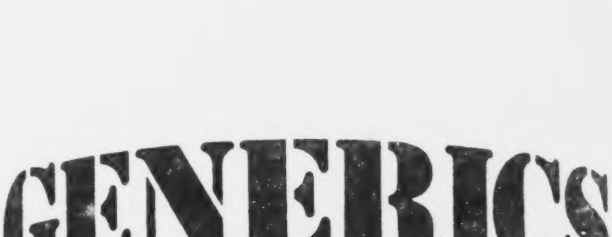
The average amount of selling space devoted to no frills products is a little over 600 sq. ft.—about 2.5% of the average store's selling floor. One-fourth of the retailers contacted by *CSA* integrate their plain wrap items with national brands and private label on store shelves.

Segregating generics in a special section is preferred by a larger number of supermarketers, because it increases shopper awareness of such products. Four out of 10 retailers have such special generics departments, with the remaining third using a combination of integration and segregation. (Chains that have generic perishables frequently have no choice but to integrate plain wrap frozen foods, dairy, produce and meats.)

About half of the retailers surveyed report that generic sales are, by and large, coming at the expense of the brands. One Midwest operator confided to *CSA* that generics nicked the leading detergent brand for 11% of its share-of-market in a single year—a phenomenon that has repeated itself in other categories as well.

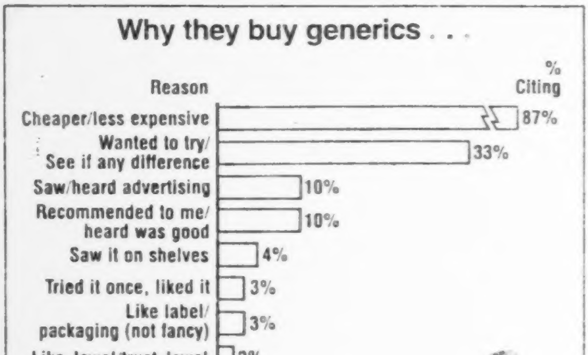
Another way to look at it, however, is that it means that a lot of folks who formerly bought branded merchandise are now trading down by substituting a generic item. This worries many retailers—and not a few of the manufacturers.

"Supers are getting fewer gross dollars of profit from generics," points out Tom McClintock of Procter & Gamble. "That's more important than gross margins. And there's

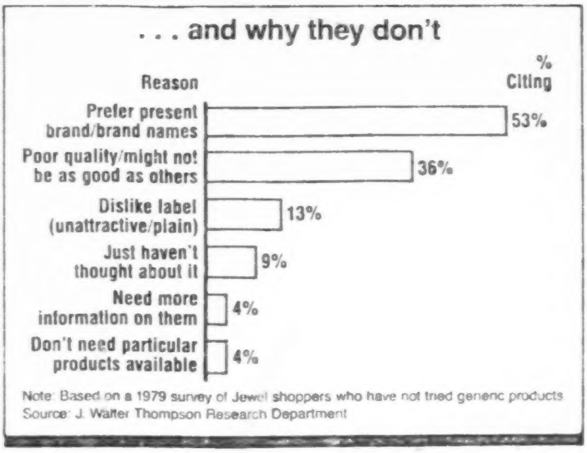


National brands are most affected

Source: *CSA Research*


Why they buy generics . . .

Note: Based on survey of 437 Jewel Food Stores customers in 1979
Source: J. Walter Thompson Research Department

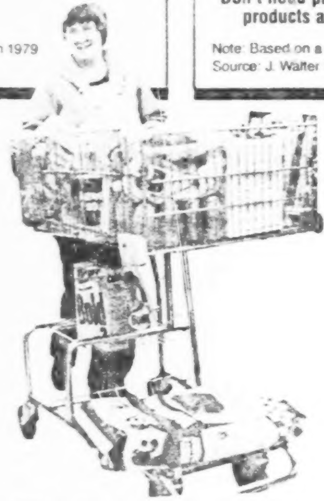

. . . and why they don't

Note: Based on a 1979 survey of Jewel shoppers who have not tried generic products
Source: J. Walter Thompson Research Department

a question, at least in my mind, about whether the 'cost' of generics in extra executive and employee man-hours of work is worth it. Sure, generics are getting sales, but are they really profitable sales?"

"What happens when a shopper who has bought a particular generic product at one chain's outlet buys a similar-looking item at the store of a chain that isn't as finicky about quality standards for no frills?" asks one plain wrap critic. "Generics draw strength from the store's image, but bad generics could rebound unfavorably against the retailer who sells them."

The problem of potential unfavorable rub-off hasn't escaped retailers, however. Safeway's move into Scotch-Buy is an obvious attempt to head off the situation. Other operators are ordering their plain wrap products a bit less plain these days. For example, Pathmark uses a three-color label—blue, red and black—and American Stores' Acme division offers generics in red and black packaging.



The future: Here again, appraisals of generics' prospects vary quite markedly. It all depends on the seer's vantage point.

"If manufacturers don't panic, the realities of the marketplace will make generics disappear," believes Jack Scolley of J. Walter Thompson. "My main reason for feeling this way is that, for the most part, the quality isn't in the products.

"I have faith in the American consumer. She'll find it out eventually." Scolley also suggests that generics' current sales volume should still be viewed as "trial shares."

Stan Holuba, vice president of Teaneck, N.J.-based Stanson, a leading packer of private label and generic laundry products, foresees a different future. "The long-range prospects for generics are good, but the direction is still uncertain," he says. "Either they'll replace private label, or there will have to be much greater differentiation between the two types of products."

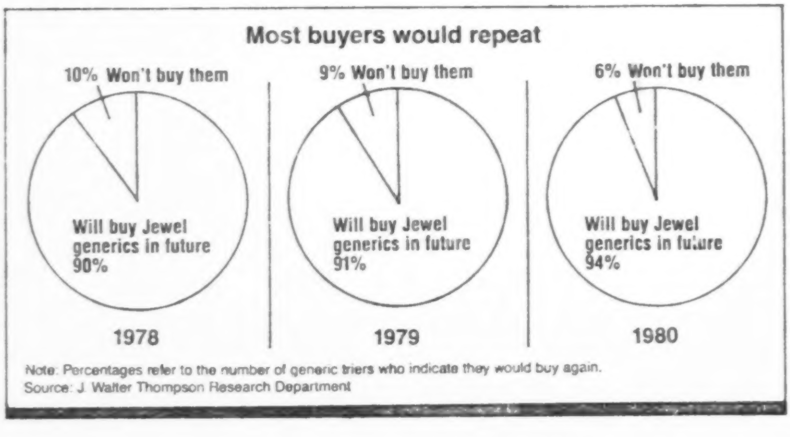
Holuba issues a call to retailers to redefine private label. PL, he believes, should be quality-oriented and priced perhaps 10% below the national brands. Generics could then function as a price-oriented complement to both PL and brands.

Whatever the long-range outcome for generics, it's impossible to deny that they're hotter than July right now. *CSA* estimates that, assuming no sudden reversal of current trends, generic products will account for 9% of United States supermarket sales by 1985. Whether that's a good thing or a bad one is yet to be decided. ☐

Shoppers give no frills high marks

After a short wait-and-see period, supermarket shoppers apparently are ready to give their approval to generic items in a wide array of food and nonfoods product categories. In a three-year study at Chicago's Jewel Food Stores, the Research Department of J. Walter Thompson discovered that 94% of those who have tried such merchandise would be willing to come back for seconds. That's a percentage of repeat business that many national brands would envy!

Not that consumers instantly warmed to the plain wrap concept. Quizzed about the appropriateness


Most buyers would repeat

Note: Percentages refer to the number of generic triers who indicate they would buy again.
Source: J. Walter Thompson Research Department

Shopper acceptance of generics growing

Product	Total "appropriate" 1978	1979	1980
Napkins	90%	90%	93%
White rice	81	81	85
American cheese slices	*	71	83
Jams & jellies	83	85	83
Mayonnaise	73	76	81
Baby food	56	60	73
Hotdogs	*	59	69
Hair spray	51	54	61
Beer	41	41	60
Hair coloring	35	36	48
Mean of eight comparable items	64	65	74

* = Not asked

Source: J. Walter Thompson Research Department

of Jewel offering various generic lines, shoppers responded about the same on the 1978 and 1979 surveys. In the former, eight key classifications got a mean positive rating of 64%, while it was 1% higher in the latter instance.

At least at Jewel, generics evidently passed across some type of threshold last year. The most recent survey shows the mean appropriateness rating all the way up to 74%. In fact, the only item that failed to get a positive rating from the majority of the survey participants was hair coloring. This isn't altogether surprising. Women who elect to improve on nature's hues evidently feel more comfortable with products of proven reliability.

The appropriateness ratings sketch a clear picture of which supermarket categories are most likely to be vulnerable to inroads by generics. The six items that got the highest appropriateness ratings from Jewel patrons—napkins, salt, white rice, bar soap, charcoal briquets and bread—are either outright commodities or the closest things to it. It is much harder for a national brand—or even a private label—item to demonstrate sufficient qualitative superiority to justify the higher retail price.

What *about* quality, anyway? Generics showed strongly when matched against both private label and national brands. At least in the minds of the Jewel customers responding to the survey, generics have reached virtual parity with national and store labels.

Four out of five Jewel shoppers claim to see no appreciable quality difference between brands and generics, and just 16% peg no frills merchandise as being of lesser quality than brands.

Plain wrap products do even better against Jewel's private label. Approximately 78% believe the two types of products are essentially equal in quality, and another 13% actually gives generics a higher rating in this regard.

The rub, as a spokesman for J. Walter Thompson points out, is that shoppers are using *Jewel's* generics as the basis for making these judgments. Not only does the chain maintain higher standards than many rival operators do on generic merchandise, but the retailer's own image for high quality is clearly enhancing the reputation of the plain wrap products displayed on its shelves.

It is also possible that personal pride enters into the issue. Those who must purchase no frills for economic reasons may be subconsciously trying to convince themselves that they aren't really giving anything up by buying all those black-and-white packages.

Then, too, fashion is probably on the side of generics at the present time. It is currently chic to conserve and make do with a little less. Only 18% of those polled said they would feel uncomfortable pushing a shopping cart around the store entirely filled with generic items. This is, of course, an astonishingly remote possibility. Yet the supposed

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Napkins are most "appropriate" generic item
(1980)

Product	Total appropriate	Extremely/very appropriate	Extremely/very inappropriate
Napkins	93%	81%	4%
Salt	91	80	4
White rice	89	74	5
Bar soap	88	70	5
Charcoal briquets	87	70	5
Disposable diapers	86	68	8
Spaghetti dinner (dry pkgd.)	86	67	7
Frozen vegetables	86	65	6
Grated parmesan cheese (canister)	86	64	8
Orange juice (refrigerated)	85	67	7
Margarine	85	63	7
American cheese slices (ind. wrapped)	83	60	10
Coffee	83	66	9
Jams & jellies	83	66	8
Cream cheese	82	58	8
Ice cream	81	61	10
Mayonnaise	81	60	11
Chunk cheddar/colby cheese	80	61	11
Spreadable cheese snacks	80	56	10
Cheese pizza (frozen)	77	51	10
Chicken & beef pot pies (frozen)	76	50	13
Bacon	74	50	14
Baby food	73	48	18
Antacids	73	38	13
Camera film	71	50	15
Canned meats	70	44	17
Hotdogs	69	47	17
Hair spray	61	34	21
Beer	60	37	22
Laxatives	59	34	21
Liquor	58	37	27
Cigarettes	56	38	29
Wine	56	35	27
Hair coloring	48	27	32

Source: J. Walter Thompson Research Department

willingness of such a sizable percentage of shoppers to go 100% generics suggests that plain label is as much a cultural fad as a retailing phenomenon.

The message that some retailers are sending out about generics must be reaching receptive ears. Most of the survey participants perceive the lower prices of generics as resulting from lower packaging and advertising costs, not inferior quality. The fact that this is generally not the case—and that Jewel's own ads point out the quality difference in unambiguous terms—is not germane. In the short run, at least, it is the perception that counts most. Of course, this may be a long-range time bomb: Shoppers who have too-high expectations for generics may be more easily turned off by one bad experience than consumers who have a more realistic view. ☐

Who are the consumers?

CSA survey shows no-label products making inroads with women and the young

More than one in five Los Angeles shoppers always or frequently buy at least some generic products at their local super, according to a telephone survey of the city's consumers in February. Conducted for *Chain Store Age Supermarkets* by Lebhar Friedman Research, the report indicates that "no frills" items have already won the approval of many area shoppers during the short time they have been available.

Yet even in Los Angeles, which has several chains fielding strong generics programs, there's a sizable portion of the population that seems totally disinterested in such merchandise. Nearly 40% of those participating in the survey claim that they never buy generic food or nonfoods products of any type.

Women are far more resistant to the concept than men. While 44.5% of female shoppers describe themselves as non-buyers of generics, the same is true for only 27.0% of the males.

Older shoppers, who would logically figure to be most needful of low-price alternatives to national brands and private label, turn out to be a poor target market for no-brand goods. Half of those 55 years of age and up *never* purchase them, and a paltry 4.2% are inveterate generics customers.

Similarly, those with the smallest amount of money to spend—families with annual incomes below $15,000—are far less attracted by no frills items nearly than might be expected. Shoppers at the lower end of the economic ladder are actually quite brand-conscious, and over 47% never put a generic product in their carts.

Affluent shoppers also tend to shy away from no frills products. That's not unreasonable. Families with incomes in excess of $30,000

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49 oz. Box

Concentrated Laundry Detergent (All Type)
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49 oz. Box
157 oz. Box
157 oz. Pail
20 lb. Bag

Floor and Wall Cleaner
(Spic & Span Type)
54 oz. Box

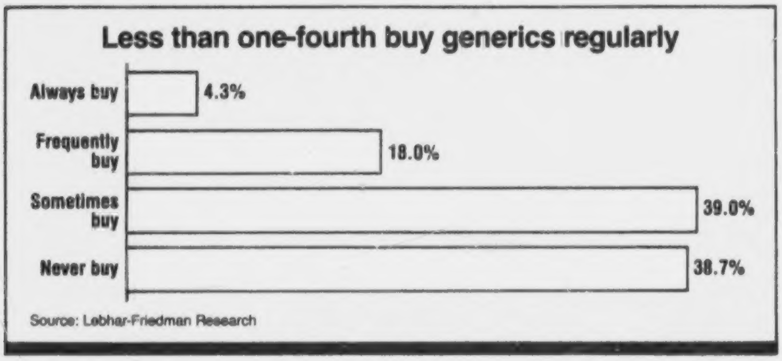
Automatic Dishwasher Detergent
(Cascade Type)
50 oz. Box

All Fabric Bleach
(Clorox 2 Type)
40 oz. Box

Rug and Room Deodorizer
(Carpet Fresh Type)
14 oz. Can

¼ Cup Laundry Concentrate
(Fresh Start Type)
34.5 oz. Box
34.5 oz. Bottle

***Women are** more resistant to generics than men, but over half the female respondents say they are buyers of plain wrap items.*



Less than one-fourth buy generics regularly

Source: Lebhar-Friedman Research

annually are usually in a position in which getting top quality is more important than price.

It's the much-abused middle class that seems keenest on this retailing wrinkle. Roughly one out of four shoppers in the $15,000-$30,000 income bracket buys generics always or frequently, and nearly three-fourths of them buy no-brand merchandise at least occasionally.

There's been much intra-industry debate on just exactly how much of a traffic draw generics are. If the results from Los Angeles are typical, the presence of generics brings some shoppers into the stores—but not all that many of them. Less than one in five feels that the availability of generics affects their choice of supermarket.

Of course, some groups are more likely to be attracted to a store due to the outlet's generics program than are others. Those with average annual family incomes of $15,000-$30,000, for instance, are more apt to choose a store because it fields a wide assortment of generics than are consumers in the lower- or upper-income strata. Approximately 23.2% of the middle-income group considers generics extremely or very important in their choice of supermarket.

Similarly, those in the 35-54 age range are most positively influenced by the presence of generics when selecting a favorite store. The *CSA* study shows that 22.5% of those in the 35-54 age bracket consider generics an extremely or very important factor.

Admittedly, there's less competitive advantage to any one retailer when several in the same market offer no-brand items. But it is incontrovertible that generics weigh less with shoppers than other factors like quality meat and produce, fast checkout and convenient store location. ☐

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CSA Survey: Price promos

The quickest way to reach a Los Angeles shopper's heart is through her pocketbook. This undoubtedly comes as no surprise to the city's corps of tough-minded chain supermarket operators. The intense competition in this blazing-hot metro market periodically escalates into all-out retailing war, and the area's grocers have bombarded prospective customers with just about every price-oriented promotion in existence.

Vons' impressive "double the difference" promotional campaign has, at least temporarily, given the chain the upper hand in its three-way free-for-all with Ralphs and Alpha Beta. But as former market share leader Ralphs can testify, climbing to the top of the greasy pole is one thing; staying there against such powerful foes is quite another. And in a strong chain store market like Los Angeles, operations with smaller shares of the business, like Lucky, Safeway, Market Basket, Hughes, Albertson's and even Boys, can't be ignored.

One thing that sharpens the rivalry among food retailers is that it takes a lot to shake a shopper's allegiance in this region.

The *Chain Store Age* Los Angeles Consumer Study suggests that area residents hardly qualify as frivolous store-switchers. A little over 14%—fewer than one customer in seven—changed to a new favorite supermarket last year. If the three Los Angeles market leaders weren't bunched so tightly (less than 2% separates No. 1-ranked Vons from third-place Alpha Beta) that even a minor shift in customer traffic can tip the balance, a lot of the city's super chain executives would probably be able to sleep a bit more soundly at night.

One possible explanation for the absence of mass store-hopping is that Los Angeles consumers don't usually get direct exposure to the blandishments of the other operations around town. The typical Los Angeles County shopper depends on just one supermarket to satisfy the lion's share of the family's weekly food needs, and most of the rest divide their purchases among no more than two outlets.

In fact, the trend leans slightly in favor of greater concentration of food purchases. While most Angelenos use the same number of supers today as they did a year ago, 11.3% have actually cut down the number of stores they patronize. Meanwhile, only 9.7% report that they have started spreading their food dollars around more than they formerly did.

Of course, a certain amount of cherry-picking of specials is to be expected. A majority of survey respondents indicate that they do patronize a second store to fill in some items. But the concept of hitting six or seven different supermarkets

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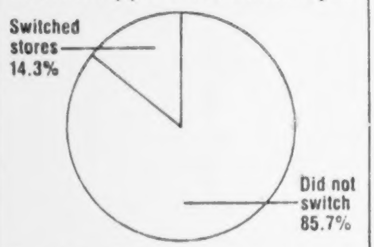
woo L.A. shoppers

Most shoppers are store-loyal



Source: Lebhar-Friedman Research

every week appears to be alien to this region.

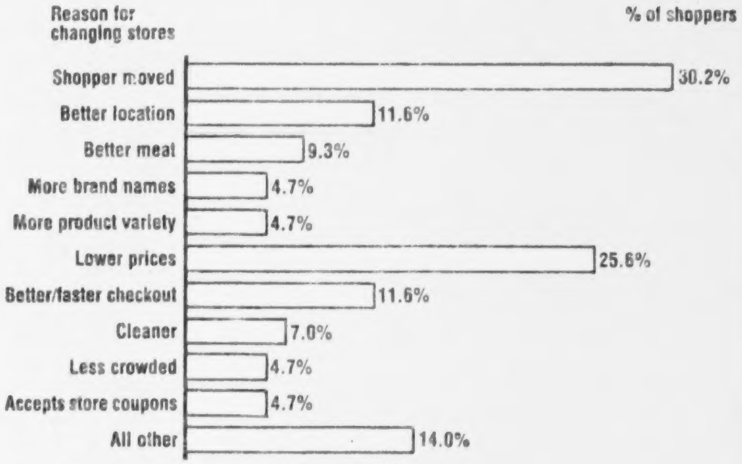
Interestingly, men are less likely to stick to one super than are women. Nearly 60% of female shoppers are content with one main store, but only 46% of males are in the same boat. The middle-income shopper ($15,000-$30,000) is also significantly more loyal than either end of the economic spectrum.

Geography: Location is the single most important contributor to store changing in Los Angeles County. More than three out of 10 shoppers switched favorite supermarkets because they moved too far to continue buying at their old one. Another 11.6% indicated that they moved to a super with a better location.

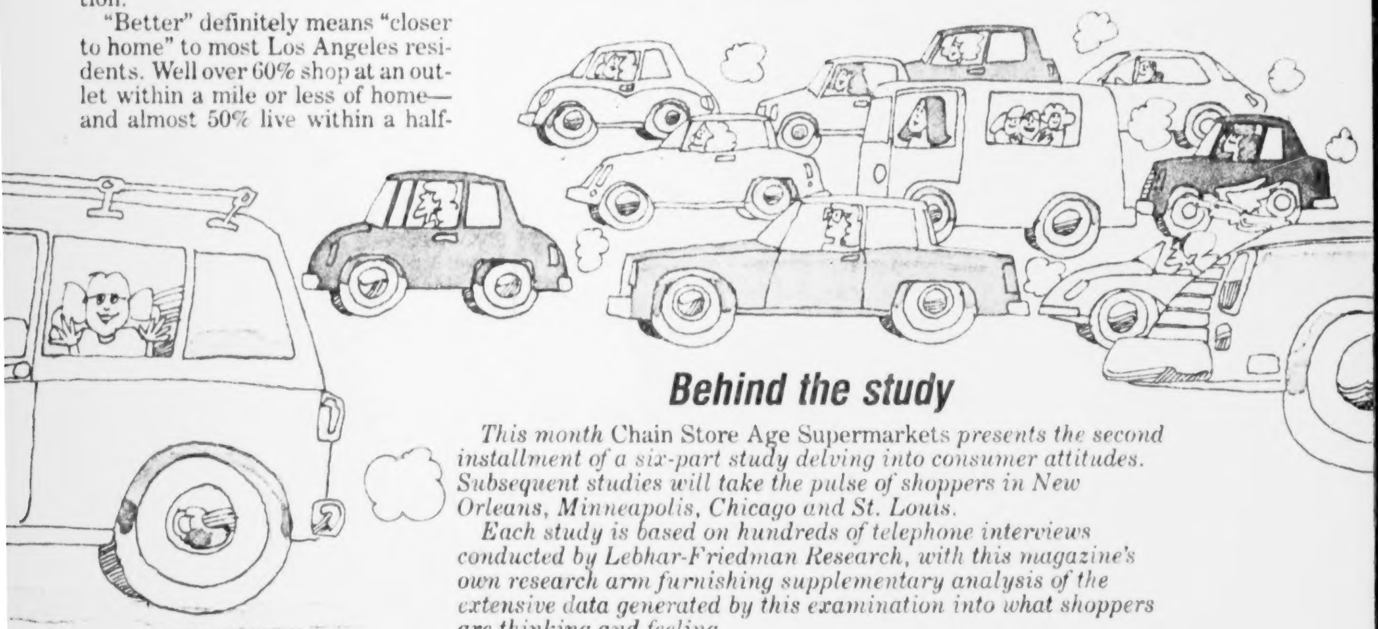
"Better" definitely means "closer to home" to most Los Angeles residents. Well over 60% shop at an outlet within a mile or less of home—and almost 50% live within a half-mile of their first-choice super. Another sign of the importance of convenient location is that almost half the survey sample buys at the store closest to home. (Of course, the 51% that will travel past that closest outlet are the prize for which the area operators are competing so earnestly.)

Low prices: Apart from proximity, low prices are the most potent lure. One out of four store-switchers gave that as the main reason for their move. This plays into

Population shifts change loyalties



Note: Will not add to 100% due to multiple mentions
Source: Lebhar-Friedman Research



Behind the study

This month Chain Store Age Supermarkets *presents the second installment of a six-part study delving into consumer attitudes. Subsequent studies will take the pulse of shoppers in New Orleans, Minneapolis, Chicago and St. Louis.*

Each study is based on hundreds of telephone interviews conducted by Lebhar-Friedman Research, with this magazine's own research arm furnishing supplementary analysis of the extensive data generated by this examination into what shoppers are thinking and feeling.

the hands of Vons and Ralphs, which have the strongest low-price stance in the city.

Alpha Beta experienced the greatest turnover among its customers. Although 16.3% of store-switchers left the Alpha Beta fold last year, 24.2% of its customer base joined up in 1980. It's entirely possible that some of this group simply switched from one Alpha Beta unit to another.

All three of the front-runners showed a net gain. The same could not be said for the rest, however. Market Basket and Lucky both appear to have lost more shoppers to competitors than they gained last year. Albertson's showed an enormous gain, but most of that is attributable to its takeover of former Fazio units in the region. □

Boys captures highest percentage of switchers

Store	% of chain's customers who switched to it last year
Vons	12.1%
Ralphs	13.2%
Safeway	14.3%
Alpha Beta	24.2%
Lucky	10.0%
Market Basket	0.0%
Hughes	21.2%
Boys	27.3%
Albertson's	25.0%

Source: Lebhar-Friedman Research

Alpha Beta has most defectors

Store	% of shoppers naming as previous favorite supermarket
Vons	7.0%
Ralphs	7.0%
Safeway	9.3%
Alpha Beta	16.3%
Lucky	11.6%
Market Basket	7.0%
Hughes	7.0%
Boys	4.3%
Albertson's	2.3%
Gelsons	4.7%
Thriftimart	4.7%
All Other	18.6%

Source: Lebhar-Friedman Research

Angelenos shop as often, spend more

The energy crunch, with its attendant stratospheric gasoline prices, is having very little measurable effect on shopping patterns in Los Angeles County. Car-loving Angelenos tell *Chain Store Age Supermarkets* a typical shopping day in 1981 is little different than it was a year earlier.

Nearly two-thirds of the area's shoppers do make an effort to do all their food marketing in one shot, but a hefty 28.7% currently divide food buying expeditions into two or more weekly trips. And though 17.3% have made an effort to reduce the number of shopping junkets in the last 12 months, a slightly larger group admits to actually increasing the number of store visits slightly.

Like everyone else in the United States, Los Angeles consumers are generally spending more on food than they did a year ago. Less than 10% have tightened their belts to reduce spending, with another 16.7% buying about as much as in 1980.

The typical area customer spends an average of $56.20 per week during the course of the major shopping trip. Extra spending for perishables and other fill-in needs amounts to $16.80 per week. Interestingly, only about one shopper in five spends over $80 per week on the principal shopping visit.

The Los Angeles big spenders are most in evidence at Albertson's, where the main shopping day tapes average a whopping $71.30. Over 37% of those who buy $100 worth of groceries or more at a clip patronize this chain.

Other operators with higher than usual per capita food day spending include Boys ($69.30) and Market Basket ($67.00),

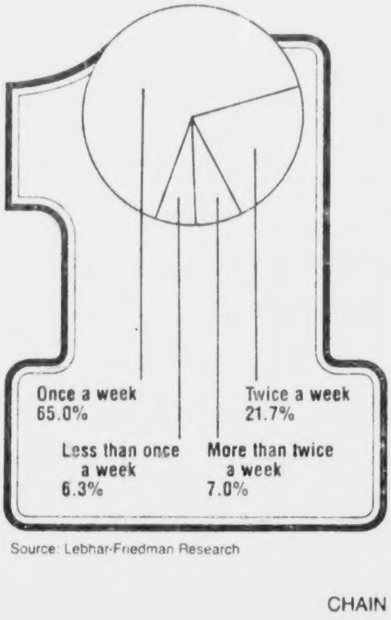
Rating lowest in this regard are Safeway and Hughes. Average weekly tabs at the Oakland, Calif.-based retailing giant is $42.30; at Hughes the figure is $43.70

Saturday is the most popular part of the week for the major shopping trip in Los Angeles, with 17.7% of residents hitting the supers. There are exceptions, though. Safeway patrons aren't fond of weekend marketing, by and large, with more than one in five preferring to get groceries for the week on Monday.

Alpha Beta is another exception. This chain has had the best luck of any of the region's food retailers with Sunday openings. Approximately 18.2% of the chain's customers can be found in the stores that day.

Although Albertson's shoppers are fond of Saturday shopping, an equal percentage like Friday. More than half of those who consider the Boise, Idaho, company their first choice supermarket shop on one of those two days. □

Angelenos prefer one trip a week



Source: Lebhar-Friedman Research

Average spending is $56.20
(Avg. bill on major food day)

Under $25	12.7%
$25.00-$39.99	18.3%
$40.00-$59.99	26.7%
$60.00-$79.00	20.00%
$80.00-$99.99	8.3%
$100 and up	12.4%
Don't know	1.6%

Source: Lebhar-Friedman Research

Where L.A. shoppers buy—and why

Although actual market share totals are grouped much more closely, Vons emerges from the Consumer Attitude Study as the unmistakable first choice chain among Los Angeles shoppers. More than one out of five survey respondents picked the El Monte, Calif.-based retailer as the company that gets most of their food dollars.

Ralphs, the No. 2 chain in share-of-market, finished a fairly close second, the selection of 17.7%. Rounding out the rest of the "top five" were Alpha Beta (11%), Hughes (11%) and Lucky (10%).

Vons, like most of the nation's other leading food retailers, is a heavy favorite among female shoppers, who still do most of the grocery buying. More than one-quarter of all female shoppers in Los Angeles rank Vons No. 1. By comparison, the chain is first with just 15% of the men.

How did Vons vault into Los Angeles retailing leadership in only a little over half a decade? It didn't take magic, just dedication to getting the basics down pat. A glance at shopper ratings in 13 crucial areas shows Vons beating its rivals in four—store cleanliness, helpful workers, low everyday prices and ad specials. The chain also came in second in both quality meat and quality produce.

A clean and attractive store is probably the most potent attraction a Los Angeles supermarket company can boast. It is considered extremely or very important by well over 90% of area consumers—including 96.5% of all women.

Having courteous store-level personnel also ranks as a fundamental requirement for a sound operation. More than 60% of all shoppers—and seven out of 10 women—feel this is a key factor in store selection.

Low everyday prices are a bigger draw than specific hot specials, at least in this market area, but Vons has all the bases covered. Its hard-won position as the Los Angeles price-maker is yielding rich dividends.

And those who are more likely to be caught by hot specials also look first to Vons. It certainly enhances the chain's position with older patrons, since nearly half of those in the over-55 group consider feature prices extremely or very important.

One of the secrets of Ralphs' success is its strong appeal to the male shopper. Although it corrals a greater percentage of women customers than any chain except Vons, it is in attracting men that the Compton, Calif., division of Federated Department Stores really comes into its own. One out of every four male shoppers heads for a Ralphs to do his major food marketing.

Product variety is a key Ralphs strength. The chain placed first in its selection of both branded and generic items and third among area supermarketers in the area of private label. It evidently has problems keeping its high-volume units whistle-clean, and its employees get low marks for helpfulness, but Ralphs otherwise rates well in just about every operations area.

Another plus for Ralphs is its much-publicized move to scanner. Only Market Basket, where shorter lines betoken a dip in customer traffic, gets a superior rating.

Vons best in four categories

(Rankings in order of shopper satisfaction)

	Vons	Ralphs	Safeway	Alpha Beta	Lucky	Market Basket	Hughes	Boys	Albertson's
Fast checkout	8	2*	6	9	5	1	4	7	2*
Helpful workers	1	8	7	2	4*	3	4*	9	6
Cleanliness	1	6	8	2*	4	7	2*	5	9
Convenient location	4	6	5	2	3	1	7	9	8
Low everyday prices	1	4	8	3	2	6	7	9	5
Ad specials	1	2	7	8	6	3	4	9	5
Variety & quality of private label	4	3	8	6	2	5	7	9	1
Variety & quality of national brands	3*	1	6	8	2	5	3*	9	7
Variety & quality of generics	4	1	7	2	8	6	5	9	3
Quality meat	2	4	6	8	7	1	3	9	5
Quality produce	2	4	7	3	8	5	1	9	6
Wide selection of general merchandise	4	2	9	3	6	7	1	5	8
Wide salection of H&BA	4	2	8	1	7	6	5	9	3

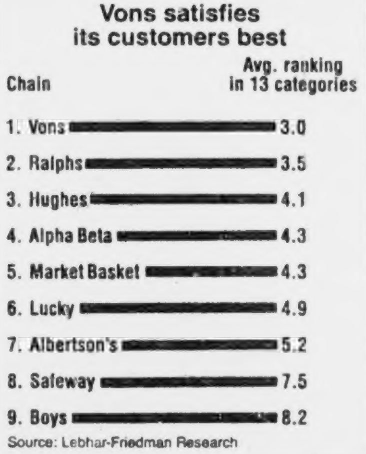
*Indicates a tie

Source: Lebhar-Friedman Research

Produce is potent lure

	Extremely important	Very important	Somewhat important	Not too important	Not at all important	No answer
Fast checkout	33.3%	42.0%	17.3%	5.3%	2.1%	—
Helpful workers	15.3	45.7	25.3	12.0	1.7	—
Cleanliness	35.0	57.7	6.3	0.7	0	0.3
Convenient location	32.0	50.7	13.7	3.0	0.6	—
Low everyday prices	28.0	46.3	17.3	7.0	1.0	0.4
Ad specials	11.7	30.3	27.7	22.3	7.7	0.3
Variety & quality of private label	14.7	32.7	28.0	17.7	6.9	—
Variety & quality of national brands	16.7	44.7	22.3	13.7	2.6	—
Variety & quality of generics	4.7	14.0	20.0	34.3	27.0	—
Quality meat	44.3	42.3	6.7	2.3	4.0	0.4
Quality produce	47.3	45.3	4.7	2.3	0	0.4
Wide selection of general merchandise	12.0	34.3	26.3	18.3	9.1	—
Wide selection of H&BA	6.0	14.0	22.0	33.7	24.3	—

Source: Lebhar-Friedman Research



Vons satisfies its customers best

Source: Lebhar-Friedman Research

If Alpha Beta rebounds in its three-way battle with Vons and Ralphs, the main reason will be the chain's compelling appeal for the under-35 shopper. Alpha Beta gets a bigger segment of the youth market, 21.1%, than any other food retailer in the city.

Despite the use of scanning in many of its Los Angeles stores, Alpha Beta evidently must work to improve throughput at the checkstand. Shoppers rated it worst among major chains in the respect.

On the other hand, shoppers gave Alpha Beta excellent grades in store cleanliness, convenient location, generics and nonfoods. Because it fields extensive assortments of major general merchandise lines, it is also on the preferred list of those who do all their shopping at a single store instead of spreading around the business.

Time has somewhat tarnished Lucky's low price image, but shoppers give it credit for having the second best day-in, day-out retails. The company's ad specials don't crackle as in bygone days, and area shoppers tend to view it as poor in this category.

Market Basket is especially alluring to the more affluent shopper, according to the *CSA* study. It offers the most convenient locations and fastest checkout, the best meat and the most helpful clerks. Market Basket specials won approval from many, but the company doesn't match the everyday low price image of a Vons or Ralphs. ☐

Coupons, TV capture consumers' attention

There are nearly as many approaches to luring shoppers into the stores as there are major food retailers in the Los Angeles area. But as might be expected in such a price-sensitive market, the signal that consumers' antennae pick up clearest is coupons. Over half of the participants in this installment of the *CSA* Consumer Attitude Study always or frequently clip manufacturers coupons.

Going against the conventional wisdom that well-educated consumers are cannier shoppers, coupons have the greatest appeal among those whose education stopped at high school graduation or before. Over 56% of this group always or frequently cut out cents-off chits, while "only" 46.7% of college graduates do so.

As a rule of thumb, the older the customer, the more likely he or she is to have a fistful of coupons. Nearly two-thirds of those over 55 are regular clippers, but the percentage drops to about one-third among those under 35.

Vons and Hughes customers are by far the heaviest couponers. Approximately two-thirds of the regular patrons at both chains can be depended upon to always or frequently clip them.

Bonus couponing—mostly chits worth twice their face value—is becoming more prevalent in Los Angeles. Almost every chain in the region has tried the idea at least once in the last 18 months. Though Angelinos aren't quite as hip to bonus coupons as the northern New Jerseyites studied earlier this year, about three out of 10 currently keep an eye out for such bonanzas.

Newspaper store ads are getting a lot more attention than broadcast commercials from area shoppers, the study indicates. This could be bad news for Alpha Beta, which relies on electronic media to get its message across. More than twice as many people always or frequently check the papers as notice TV or radio.

List-making is most widespread practice

Activity	Always (4) (%)	Frequently (3) (%)	Sometimes (2) (%)	Never (1) (%)	Mean avg.
Make shopping list	52.0	14.0	17.0	18.0	2.99
Check newspaper store ads	37.7	10.7	19.1	32.7	2.53
Clip manufacturers' coupons	38.3	12.7	22.7	26.3	2.63
Note radio and TV store ads	11.3	12.0	32.4	44.3	1.98
Note stores offering bonus coupons	19.0	11.3	20.4	49.3	2.00

Source: Lebhar-Friedman Research

It must be remembered, however, that what people say they do and what they actually do can be two very different things. The ostensible results may cloak a lot of broadcasting's subliminal effect.

In any event, more and more survey participants report that they're keeping closer track of radio and television promos for supermarkets than they previously did. More than one-third, 36.5%, who regularly monitor the airwaves for grocery information started doing so only last year. By comparison, only about one in five newspaper-watchers began this practice last year.

If these trends continue for the next couple of years, it would herald an era of greatly increased clout for TV and radio when it comes to influencing the buying decisions and store choices of Los Angeles consumers. This would probably play right into the hands of Alpa Beta, the chain that has amassed the greatest amount of experience in disseminating its message to consumers through the electronic media.

Two out of every three area shoppers enter their favorite store armed with a list of intended purchases. While 18% still invariably play it by ear in the supermarket, making shopping lists is the most widespread type of preparation for the weekly marketing trip. ☐

—Arnie Katz

DIY fuels autocare market

Sales of auto supplies in supermarkets have increased over 300% in three short years, and all indications are that they will continue to rise in 1981. More and more supers are giving careful attention to this $300 million-plus category, and manufacturers are turning an eye on supermarkets as an important outlet.

Why the sudden growth? The state of the auto aftermarket in general is one important reason. In the past 10 years, the service station count has dropped from about 225,000 to under 170,000. About 55%-60% of gas stations are self-service, as compared with only 10% five years ago. As a result, the number of do-it-yourselfers is steadily growing.

But saving money is still the major reason behind this trend.

Regardless of what happens with the economy in the next few years, it's safe to assume that gas won't become any cheaper. Some Wall Street analysts are predicting highs of $2.50 a gallon or more in the near future. Motorists, who are forced to spend as much as $40 to fill their tanks will almost certainly join the do-it-yourself ranks.

According to Federal Highway Administration figures, the average age of cars on the road in 1979 was 6.41 years. In 1975, it was just 5.99.

As Americans keep their cars longer, they spend more on them—over $400 per year. Some of these dollars go for ways to increase gas mileage. As Tucker Halleran, vice president of STP, says, "Higher gas prices have a downside effect in total mileage, but an upside effect in the trend toward increasing gas mileage."

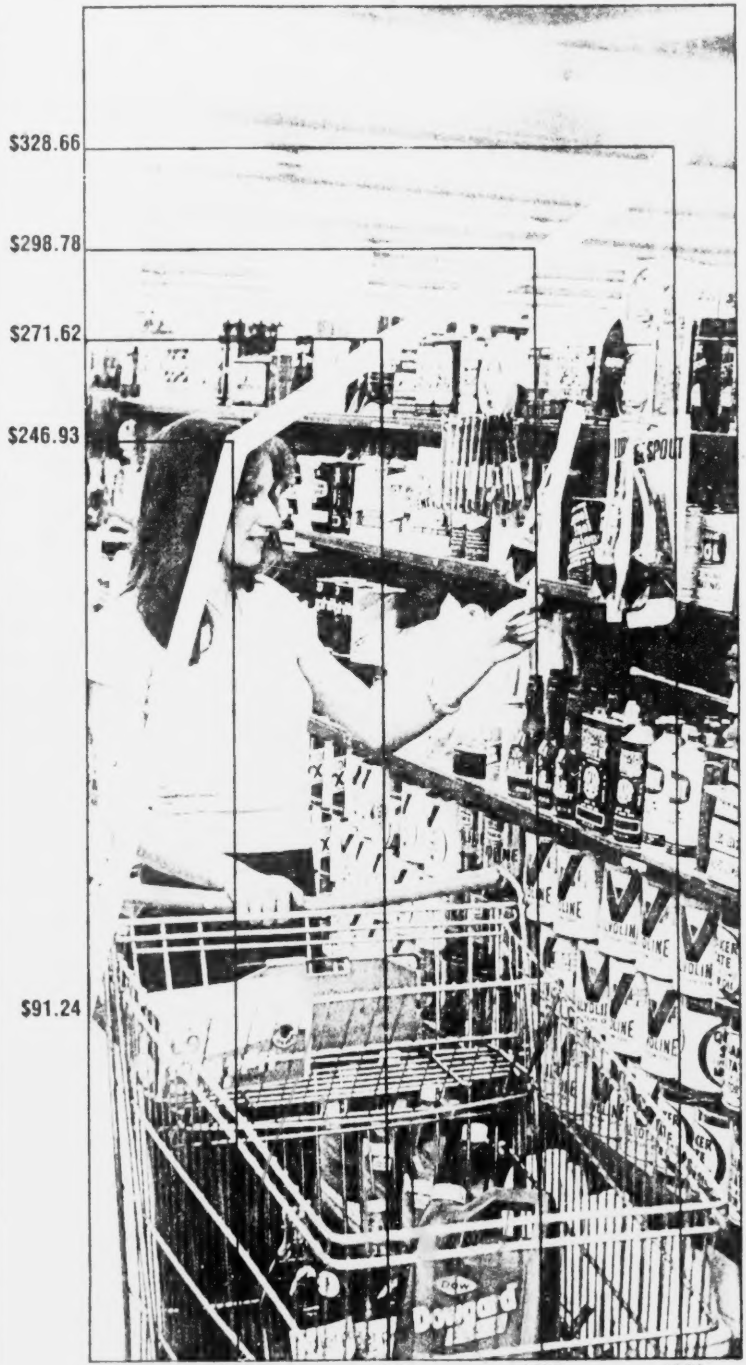
Retailers, manufacturers and distributors all seem to agree that supermarkets will be selling more automotives in the future. Expanded departments can capitalize on the trend to one-stop shopping, and on the impulse buying habits of the DIYer (close to 60% of this group make unplanned purchases).

There's no question of the category's potential in food stores. What remains to be seen is how well—and how rapidly—food retailers and manufacturers can synchronize their marketing skills. ☐

(Continued on p. 69)

Sales triple in three years

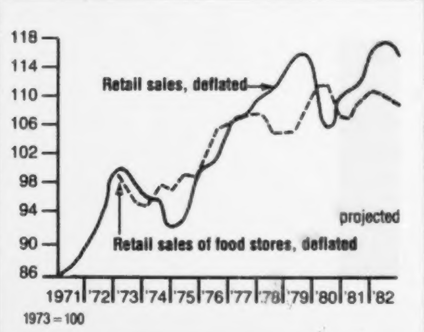
(in $ millions)



Source: *CSA Research*

L/F ECONOCYCLE

Supers head for 3rd-qtr. turnaround



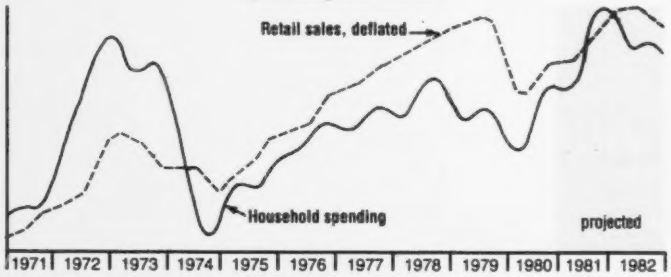
Food stores

	Sales change by quarter								12-month % change		
	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81* 1Q %	'81* 2Q %	'81* 3Q %	'81* 4Q %	'79 %	'80 %	'81* %
Sales include inflation	10.5	10.0	11.6	10.4	9.4	9.2	9.7	7.8	11	10	8
Real sales (deflated)*	5.3	4.6	2.3	-0.8	-3.1	-3.7	1.4	1.8	1	3	-1

Base = Dec. 1980 Sales
*Projected

The supermarket industry has lagged in its recovery, but current trends should result in a real dollar sales gain during the second half of this year

Spending indicator



Sales/include inflation
% change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1980	1Q	8.9	10.5	8.6	7.6	12.0	9.3	5.7	8.9	8.2
	2Q	-1.6	10.0	7.9	-8.9	10.9	1.4	6.5	4.8	4.5
	3Q	2.9	11.6	7.4	-9.2	10.1	-0.4	4.9	4.4	3.4
	4Q	7.0	10.4	6.6	-2.2	14.5	4.9	6.7	5.7	5.7
1981	1Q*	7.3	9.4	7.6	3.0	11.4	7.5	7.0	8.1	7.7
	2Q*	14.6	9.2	10.8	15.0	11.9	14.7	8.1	10.6	10.9
	3Q*	10.4	9.7	13.3	5.8	12.0	13.3	8.6	8.9	9.7
	4Q*	9.9	7.8	10.5	-3.1	8.4	12.4	8.5	5.7	7.6
% change 12 mos.	1979	12.0	11.0	9.0	14.0	9.0	14.0	9.0	9.0	10.0
	1980	4.0	10.0	7.0	-3.0	11.0	3.0	6.0	6.0	5.0
	1981*	10.0	8.0	10.0	3.0	10.0	11.0	8.0	8.0	7.0

Real sales (deflated)*
% change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1980	1Q	-1.7	5.3	-1.5	-2.1	3.9	3.8	1.0	1.7	2.0
	2Q	-11.0	4.6	-1.4	-17.8	1.8	-4.4	2.3	-2.3	-1.8
	3Q	-6.9	2.3	-1.7	-18.3	0.4	-7.1	0.4	-3.3	-3.3
	4Q	-3.1	-0.8	-2.3	-11.2	4.3	-1.3	1.8	-2.1	-1.1
1981	1Q*	-1.1	-3.1	-0.3	-4.1	2.5	-2.4	3.3	1.5	2.1
	2Q*	6.7	-3.7	2.4	8.7	4.8	9.5	3.5	4.3	5.2
	3Q*	4.3	-1.4	4.7	-0.5	6.7	8.5	4.1	2.9	4.3
	4Q*	5.0	1.8	2.9	-9.4	4.7	7.1	4.7	-0.5	2.2
% change 12 mos.	1979	2.0	1.0	-2.0	5.0	2.0	8.0	6.0	3.0	4.0
	1980*	-6.0	3.0	-2.0	-12.0	2.0	-2.0	1.0	-2.0	-1.0
	1981	3.0	-1.0	2.0	-2.0	4.0	6.0	4.0	2.0	2.0

Base = Dec. 1980 Sales
*Projected

If the current sales trends hold, real (uninflated) supermarket sales should begin to show life in the third quarter of the year. (Food sales, which haven't grown as fast as total retailing since 1978, still trail the general recovery.

Presently, supermarkets are beginning to rebound from prior low-water levels (chart above), but they're still hovering below the overall trendlines.

Compared with restaurants and fast-food operators, supers have also lapsed behind their position in mid-1980 when they had been outpacing the eat-out units and winning the marketshare battle for the consumer's food dollar. Now, the forecast indicates a "sideways" trend for the balance of '81.

The L/F Econocycle forecast shows real sales at −3% for the first and second quarters, then a pick-up for a 1%-plus gain in the last two periods.

This compares to a continuing rise over the next two quarters (chart below) for all retailing—with real gains that will average about 5% and a year-round increase of about 3%.

The forecast also hints at a possible dip (or easing) of retail gains in the fourth quarter—a trend to be watched closely by all sectors.

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

What's ahead for FMI

Reps vs. brokers: who holds the edge?

no: marketer to the Big Apple

Chain Store Age Supermarkets

May 1981

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The changing role of the superstore manager

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

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Chain Store Age
Supermarkets

May 1981

Custom Shop Hours
HORARIO de CARNICERO
MON LUNS 9am 6pm FRI VIER 9am 9pm
TUES MAR 9am 6pm SAT SAB 9am 6pm
WED MIER 9am 6pm SUN DOM 10am 4pm
THUR JUEV 9am 6pm
BEEF HOOFS
PATA DE RES
BEEF TONGUE
LENGUA DE RES
GOAT HEADS
CABESITAS DE CABRITO

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by Charles Diamond 148

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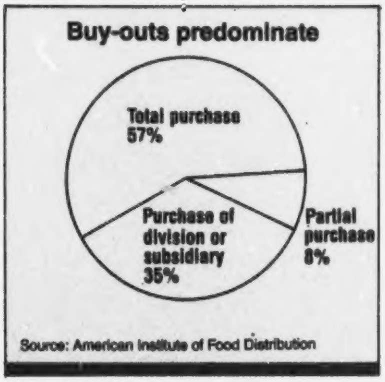
EXPRESS CHECKOUT

Merger splurge accelerates in '80

The urge to merge isn't confined to the retailing arm of the food industry, says the American Institute of Food Distribution. The organization, which has tracked food field mergers for the last decade, reports a 4% increase in the number of mergers and acquisitions involving food-related companies.



Source: American Institute of Food Distribution

During 1980, there were 553 mergers and acquisitions, vs. 532 during the prior year. Of the 1980 crop, 57% represent the purchase of an entire company, 35% concern purchase of a subsidiary or division and the final 8% involve the purchase of 15% or more of a firm's outstanding stock by another company.

Operations manual guides indies

"Top 100" supermarket chains frequently spend thousands—or even 10's of thousands—of dollars to compile exhaustive operations manuals for store managers and line supervisors. Independents and small chains generally found themselves out in the cold, lacking the resources to put such a book together.

Supermarket Standard Operations System
LEBHAR-FRIEDMAN BOOKS

Now, however, Michael Rodriguez has done yeoman work to fill this need by creating the *Supermarket Standard Operations System*. This looseleaf volume is not merely a training manual, but rather a storehouse of tried-and-tested standard policies and innovative approaches for dealing with every aspect of supermarket operations. It contains all the control forms a retailer needs to conduct day-to-day business.

This is an outstanding work by an author with real "hands on" experience as both an independent retailer and as the director of operations for a regional chain.

Supermarket Standard Operations System by Michael Rodriguez is available from Lebhar-Friedman Books for $49.95.

Chatham receives produce prize

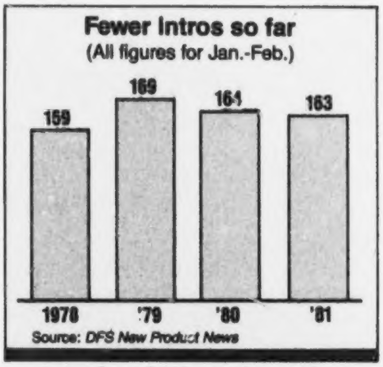
The United Fresh Fruit and Vegetable Association (UFFVA) has bestowed its first Golden Cornucopia Award upon Chatham Supermarkets, Warren, Mich. Projected as an annual honor, the Golden Cornucopia recognizes outstanding achievement in the realm of retail promotion and consumer education relating to produce.

Chatham won for its multidimensional consumer program, which uses plenty of POP and consumer bulletins to provide shoppers with comprehensive information about fresh fruits and vegetables.

The UFFVA also gave Silver and Bronze Cornucopia Awards to Price Chopper and Stop & Shop, respectively.

Suppliers market fewer new items

Despite a surge in the number of new supermarket products in February, the total number of items introduced during the first two months of the year still lags behind the comparable periods of both 1979 and 1980. The nation's manufacturers introduced 163 new items during the first 60 days of the year, reports *DFS New Product News*, vs. 164 and 169, respectively, during the first two months of 1980 and 1979.

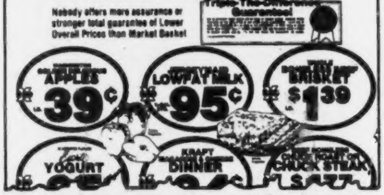


Source: *DFS New Product News*

Nestle tested the calorie-control product field last fall with its "New Cookery" grocery line and is now making a second foray into the category. Packed under the Stouffer's "Lean Cuisine" banner, the 10 frozen food items are all less than 300 calories each. Watching and waiting is Heinz, which has owned this market until now with its Weight Watcher line.

L.A. chain will triple the difference

The intense competition for market share in Los Angeles has gotten a few degrees hotter. Vons, Alpha Beta and Safeway have been offering area consumers a "double the difference" refund if prices at their stores are higher than competitors' on 25 items worth $20 or more.


LOWER PRICES OVERALL BACKED BY MARKET BASKET'S
Triple The Difference
Guarantee!
Nobody offers more assurance or stronger total guarantee of Lower Overall Prices than Market Basket
Triple-The-Difference Guarantee!
APPLES
39¢
LOWFAT MILK
95¢
BRISKET
$1.39
YOGURT
DINNER
CHUCK STEAK

Now Market Basket, the Kroger division in southern California, has upped the ante. As this ad from the *Los Angeles Times* indicates, Market Basket is backing its low-price thrust with a promise to *triple* the difference.

Superstores dominate building boom

These days, supermarket operators are doing a lot of talking about—and more than a little dabbling in—exotic store configurations. But though warehouse-type markets and limited assortment units are much on the minds of chain managements, the superstore is still the retail food industry's bread-and-butter format.

The second annual *Chain Store Age Chain Supermarket* census clearly shows that the nation's top 100 corporate super chains still envision the superstore as the primary vehicle for expansion during the early 1980's and beyond.

The reasons behind the continuing dominance of the superstore are too well-documented to need much rehashing here. In brief, they offer operators the chance to significantly boost total store gross margins through the addition of high-profit boutique departments, while generating increased customer traffic as a result of the one-stop-shopping convenience they provide.

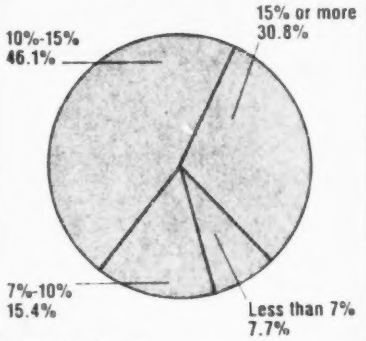
Of the 1,900 new units scheduled to be built this year, over 87% will be superstores

More than 87% of all the new supermarket chains planning to construct in 1981 fall into the superstore category. (*CSA* defines a superstore as a full-line food store of at least 30,000 sq. ft. in total size and with an annual sales volume exceeding $5 million.)

By way of comparison, companies participating in this year's survey report that two-thirds of their existing outlets are superstores. It thus appears almost certain that the superstore's percentage of total retail food sales will continue its climb in 1981. Moreover, since it takes most superstore units 18-24 months to reach sales maturity, today's construction implies virtually automatic gains for this segment down the road as 1981's new units hit their stride sometime in 1982-83.

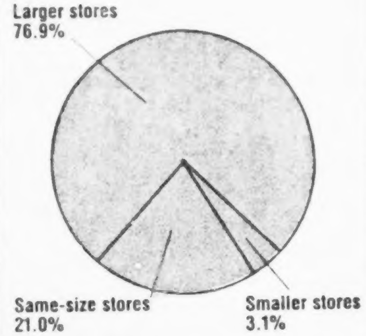
Based on the construction plans outlined to *CSA*, chains expect to open approximately 1,950 new supermarkets during the next 12 months, of which slightly over 1,700 will be superstores. Companies responding to this year's survey expect to build an average of 13 new stores each, with 11 projected as superstore units.

Nonfoods are more than 10% of superstore sales



Source: *CSA Research*

Most chains building bigger



Source: *CSA Research*

Beef, Pork & Poultry

***High-volume** superstores, with expanded mix of high-margin goods, are '81 focus.*

The anticipated pace of 1981 capital construction will be slightly slower than last year, but this is not cause for alarm. After all, 1980 represented quite a rebound after several years in which renovations and recycles got the bulk of chain attention.

It should always be remembered that these announced plans may not all reach fruition. Such variables as the prime lending rate and the country's general economic climate could actually increase or limit the number of new supermarkets actually build in 1981. If the Reagan Administration's much-vaunted pro-business outlook translates into something concrete—like tax credits for capital construction or equipment depreciation—some chains may be encouraged to speed up their expansion timetable.

Still bigger: For the second consecutive year, new stores will be larger. This reverses the trend noted during much of the late-1970's toward building somewhat more compact units. The average size for a new super in 1980 was 35,100, and this is scheduled to increase to about 35,600 sq. ft. this year. More than three out of four chains expect to build bigger outlets this year than they did in 1981, and only about 3% intend to scale down size.

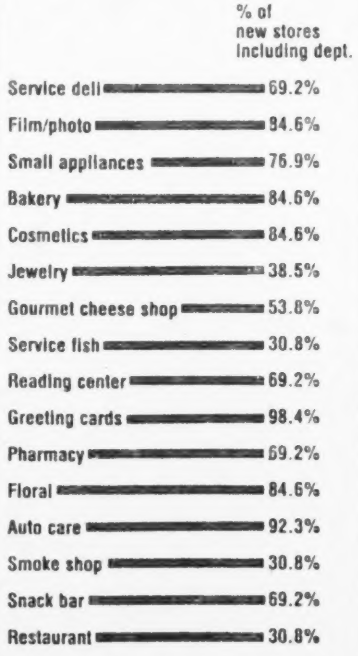
With the survey's typical super now doing at least 10% of its volume in general merchandise, it's not surprising that nonfoods departments ranked well up on the list of boutiques planned for inclusion in the 1981 crop of new stores. The most popular department? Greeting cards, which will be installed in virtually every new superstore built this year.

Other categories likely to be found in most of the stores opening this year include: auto aftercare (92.3%), film and photo (84.6%) and small appliances (76.9%).

Of course, superstores won't be neglecting food. Just about all of them will have a floral department, and 85% will have an in-store bakery. (Bakeoff installations will account for a little less than eight out of 10 departments.)

The movement toward putting eateries in supermarkets is strongly in evidence in chain expansion plans for 1981. More than nine out of 10 new supers will have either a snack bar or restaurant—and some will have both. □

Greeting cards most popular boutique



Source: *CSA Research*

BEST AVAILABLE COPY

Reps v. brokers: who

Manufacturers' representatives or brokers—which group does the better job? That's a debate as old as mass retailing itself, and it's one that's likely to continue until the last supplier and last retailer vanish from the face of the earth.

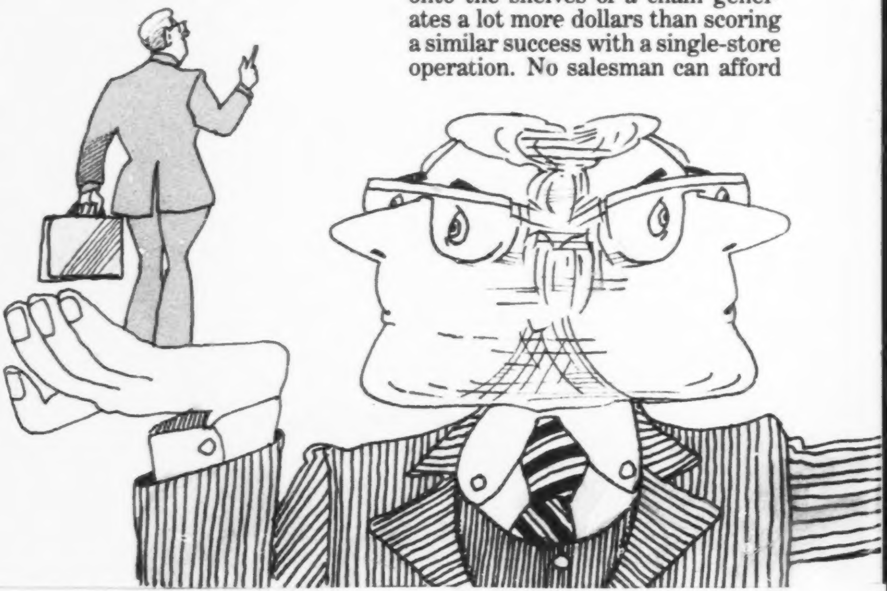
There are so many factors to consider that a definitive judgment will probably always prove elusive. Both types of sales setups have their strengths and weaknesses, and both are valuable links in the food distribution system.

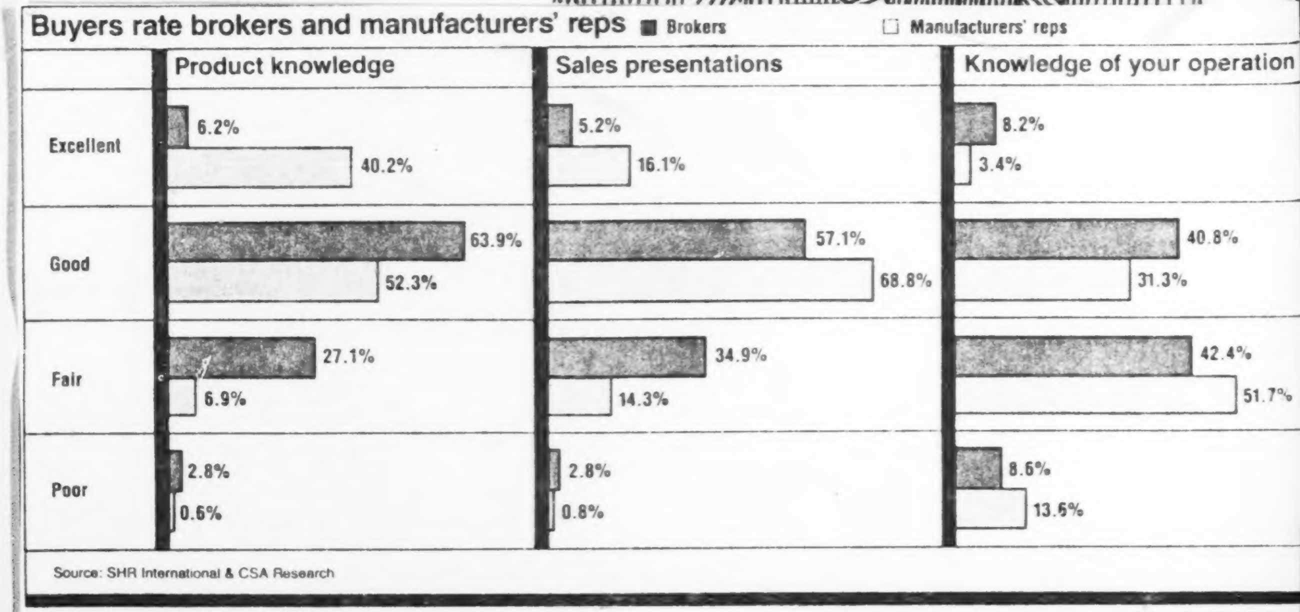
However, the *Chain Store Age* Buyer Attitude Study indicates that the men and women who purchase the merchandise for the nation's supermarkets give manufacturers' reps the nod in four out of seven critical measurements. According to the chain, independent, cooperative and voluntary group buyers who participated in the study, manufacturers' reps do an appreciably better job in making presentations, following through, knowing their products and being aware of all available promotions and deals. Brokers, on the other hand, display a greater knowledge of individual operations in the local marketplace and provide slightly higher levels of service and support than the supplier-run sales forces.

One thing's for sure: *All* the folks who call on buyers would get better results if they knew as much about their prospective customer's operation as they do about their own product lines. A little less than half of the buyers give brokers an excellent or good rating in this regard, while the figure drops to slightly more than one-third in the case of manufacturers' reps.

As might be expected, buyers for independent supermarkets feel especially strongly on this point. More than half, 57.7%, rate brokers fair or poor, while 64% pass out similar low grades to the manufacturers' representatives.

This situation results from the understandable need of sales personnel to concentrate their efforts in areas that are likely to produce the biggest payoff. Selling a product onto the shelves of a chain generates a lot more dollars than scoring a similar success with a single-store operation. No salesman can afford





Source: SHR International & CSA Research

holds the edge?

to be as conversant with every go-it-alone retailer as he or she is with the major chain factors in the area, so the smaller fish in the market often remain unknown territory to all types of salespeople.

Another reflection of the same state of affairs is that buyers for independents also give lower ratings for service and support than their confreres working for other types of operations. Nearly seven out of 10 rate brokers' support and service fair or poor, while 62.0% expressed the same feeling about the manufacturers' salesforces.

Product expertise: One area in which the buyers have great respect for the people they face across the desk is product knowledge. Nine out of 10 buyers credit manufacturers' reps with excellent or good product knowledge, while over seven out of 10 show similar regard for broker product expertise. (The lower score for brokers is understandable; they generally have a number of different lines to learn, rather than being able to concentrate on acquiring a thorough knowledge of just one.)

Sales reps of both types also draw kudos for their knowledge of available deals and promotions, always a topic of compelling interest to buyers. Here, 90.2% of manufacturers' reps and 78.5% of brokers drew excellent or good ratings.

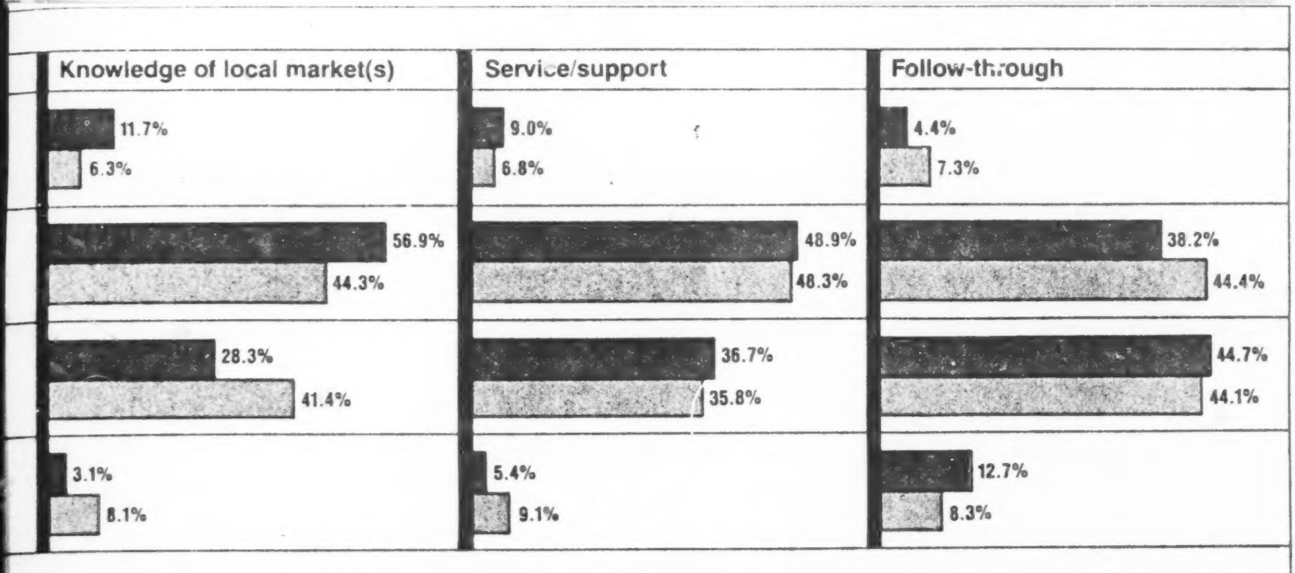
Brokers enjoy their greatest margin of superiority when it comes to comprehensive knowledge of the local retailing scene. Nearly seven out of 10 buyers believe brokers have an excellent or good grasp of local retailing, compared to slightly more than half who give similar credit to manufacturers' reps. Evidently, brokers' less encyclopedic knowledge of any single product line is balance by a better perspective of the market as a whole.

Besides product knowledge, manufacturers' reps also emerge from the study as better at making sales presentations. The buyers, who have presumably seen them all, feel that manufacturers' reps do the more effective job, though 62.3% also judge the brokers good or excellent in this respect. ☐

—Arnie Katz

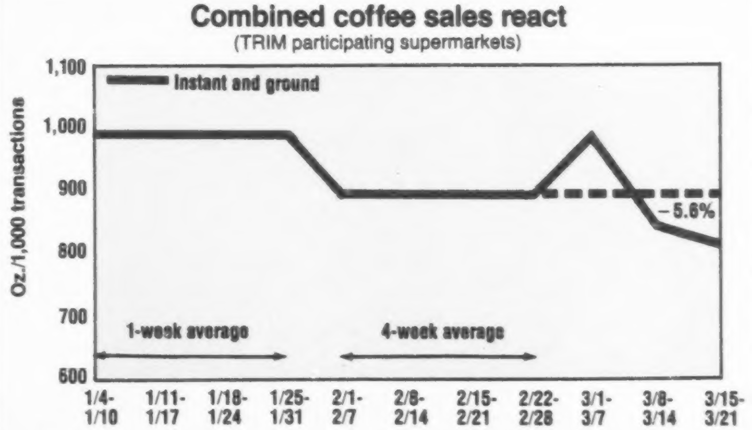
Under joint funding by Chain Store Age Supermarkets *and* TV Guide, *SHR International examined 212 separate buying units. The sample includes buying offices for more than half of all United States supermarkets, as well as a large percentage of Canadian stores.*

Parts of the study from which this article has been extracted provided the basis for a major presentation at the FMI Midwinter Executive Conference.



Scanning, which tracked coffee movement directly following release of study on pancreatic cancer, reported a 5.6% dip in sales.

Health scare dents coffee sales



Combined coffee sales react

(TRIM participating supermarkets)

For the entire sample, the rate of sales is down approximately 5.6% compared to the previous 4-week period average. The week of 3/1-3/7 appears to have been a heavy promotional one.

Source: TRIM Inc.

Health warnings of one sort or another are so common these days that many retailers may rightly wonder if such headlines still pack as much punch as they once did. Has the pancreatic cancer scare, to cite a recent example, taken the steam out of coffee sales?

One week after the story broke, a sampling of TRIM participating supermarkets in seven regions of the country that combined sales of ground and instant coffee had dipped an average of 5.6%. The amount of the decline varied markedly depending on the geographic area. Some stores lost only 3% of coffee volume, while others suffered a drop of as much as 15%.

Two untrackable factors are the degree of media exposure and the effect of the normally high level of coffee promotion. Coffee is historically a heavily promoted category, with manufacturer and retailer coupons, double coupons, retail ads and displays. Therefore, the sales level in any one week varies according to promotional activity.

Has the drop in coffee sales translated into brisker movement in the tea section? Not according to the latest TRIM findings.

There are two possible explanations for the fall-off in coffee sales:

1. Customers fear the implications of the pancreatic cancer story and are cutting back on coffee consumption.

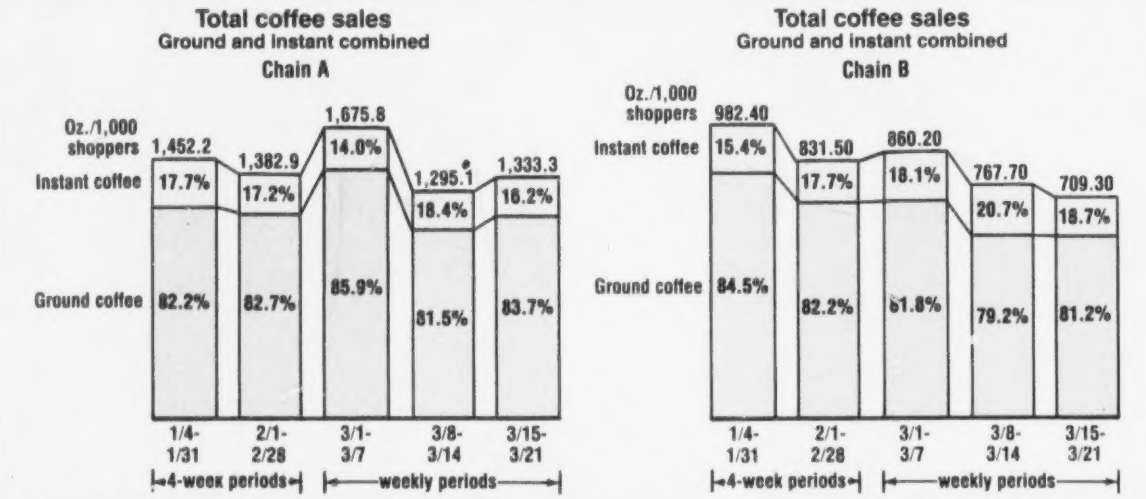
2. Retailers had fewer promotions during the week following the announcement than they had during the prior seven-day period.

Therefore, it would be premature to make any sweeping conclusions concerning long-range effects from a single week's monitoring.

The study that triggered the scare (Harvard School of Public Health) is also under fire because of its narrow parameters. It was based on interviews with 369 patients with pancreatic cancer in 11 New England hospitals. The National Coffee Association states that "extensive animal research had failed to show any link between coffee and pancreatic cancer." The association also said that hospital patients may not be representative of the general public.

At any rate, the Harvard study found that drinking up to two cups

SCAN ANALYSIS



By individual chains, the data are mixed. Chain B shows a considerable reduction in the week of the announcement and the week after, while Chain A is down only slightly from the 4-week average. The week of 3/1-3/7 was heavily promoted. Source: TRIM Inc.

of coffee increased the risk of pancreatic cancer by 1.8 times, and three or more cups raised the risk nearly threefold. If that finding proves to be correct, coffee consumption could account for more than 50% of all cases of pancreatic cancer in the United States, now the fourth-leading killer.

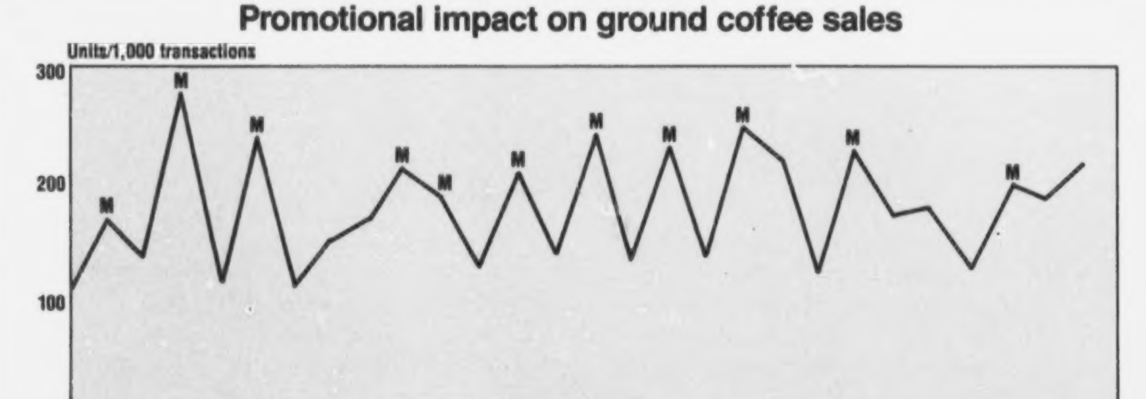
Health scares are not new to the supermarket industry. Over the years, medical reports have traumatized categories such as tuna, cranberry sauce, soup, soft drinks with cyclamate and saccharin. Some have had short-term effects on sales (tuna), while others have had a long-term impact (Rely tampons).

What is new today is that scan analysis provides instant feedback on sales. Before scanning, it took weeks—even months—to get a readout on consumer reaction.

The long lead-time forced chain buyers to make seat-of-the-pants decisions. They either overreacted and cut inventories, thereby losing sales due to out-of-stocks, or they underreacted and found themselves with excessive inventories.

Although the quick-impact study does have its limitations, it is especially important when tracking a high-volume category that has low margins and high-unit prices.

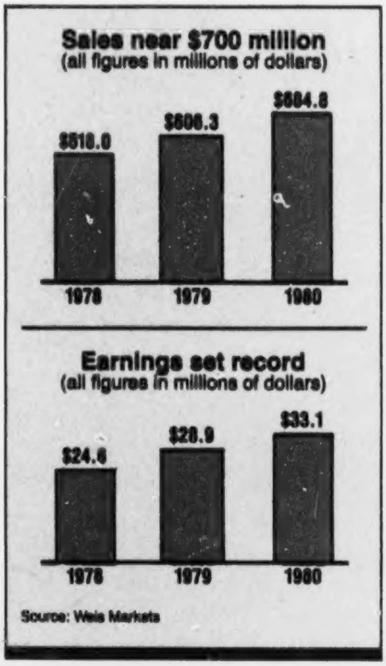
Under these circumstances, inventory levels become critical from the viewpoint of both sales and profit, and scan analysis becomes a viable tool in maintaining a delicate balance.



Recent statistics show that close to 50% of retailers are using double or triple couponing nationally. Some geographic areas have a higher concentration. This chart shows the fluctuations in coffee sales for a chain that gives consumers an additional discount on manufacturer coupons. Multiple-coupon weeks are annotated with an "M." Note that the rate of sales sometimes doubles with this type of promotion.
Source: TRIM Inc.

Weis net-to-sales increases—again

Weis Markets, well-known for being one of the most profitable supermarket operations in the country, showed that even the nation's adverse economic climate can't knock it off kilter. The Sunbury, Pa., retailer notched a net-to-sales ratio of 4.83%, well above the previous year's 4.76% and nearly five times the industry average.



Sales near $700 million
(all figures in millions of dollars)

Earnings set record
(all figures in millions of dollars)

Source: Weis Markets

The 107-store chain, which serves central and western Pennsylvania, New York and Maryland, logged sales of $684,814,000 for its fiscal year ended Dec. 29, 1980. This was a hefty 13% increase over the previous fiscal year's total of $606,346,000.

Net earnings more than kept pace with this advance, rising 15% to $33,019,000. The figure for the previous year was $28,880,000.

Weis opened four superstores last year, all outfitted with specialty departments such as bakery and deli. The company is attempting to convert as many of its outlets as possible to the more profitable 30,000-sq.-ft. units, and remodeled 10 of its stores last year as part of this program.

Trend is up at Mott's ShopRite

Strong gains in both sales and earnings in the fiscal year ended January 3, 1981, and a rousing start for fiscal 1981 have executives smiling at Mott's Supermarkets. The East Hartford, Conn., chain, a member of the Wakefern cooperative, experienced a 12% increase in sales and a rousing 31% jump in earnings during fiscal 1980.

Sales rose from $234,792,325 in fiscal 1979 to $264,794,424 last year. Over the same interval, net earnings advanced from $2,888,457 to $3,817,651.

Among other factors contributing to the excellent performance was a strong—and apparently successful—company program to reduce shrink. Also important, of course, is that Mott's fields high-volume stores (average sales $11 million) that feature a large selection of high-margin nonfoods products.

Shopwell net lags behind sales gain

Bronx, N.Y.-based Shopwell logged higher sales, but earnings gains did not keep pace in its recently completed fiscal year. For the 12-month period ended Jan. 3, 1981, the metro New York City chain improved its sales 12%, slightly better than inflation, but only managed a 6% gain in net earnings.

Total sales during fiscal 1980, including both retail and wholesale operations, reached $612,359,000, compared to the previous year's figure of $346,486,000. Over the same period of time, earnings rose from $1,060,000 to $1,125,000. Net earnings per share increased somewhat more sharply because of the lower number of shares outstanding in 1980.

Biggest news of the year at Shopwell was the chain's inauguration of its Food Emporium concept. These upscale stores feature delicacies and services not found in the typical Shopwell supermarket and are believed to be catching on well with consumers. Two are open in Manhattan, with a third running in nearby Westchester County.

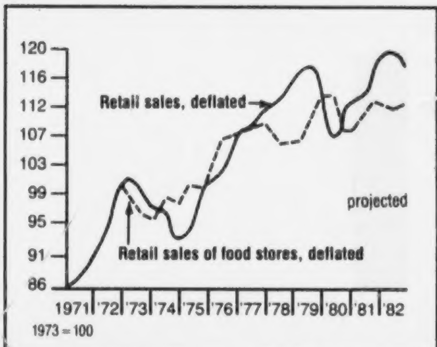
Chain Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
Foodarama	year	10/1	$ 412,890,000	—	($1,279,000)	—	—
Fleming	year	12/27	2,816,958,000	+12	20,704,000	+26	0.73
Weis	year	12/29	684,814,000	+13	33,091,000	+15	4.83
Munford	year	1/1	313,990,000	+ 7	762,000	—	0.24
Arden	year	1/3	510,000,000	+11	4,220,000	+20	0.82
Bayless	year	1/3	368,521,000	+15	2,550,000	+16	0.71
Kroger	year	1/3	2,718,311,177	+21	29,599,151	+ 7	1.09
Mott's	year	1/3	264,794,424	+13	3,817,651	+31	1.44
Shopwell	year	1/3	312,659,000	+12	1,125,000	+ 6	0.36
Star	year	1/3	274,251,195	+10	2,038,829	−35	0.77
Jewel	year	1/31	4,267,922,000	+16	55,893,000	+10	1.31
Fred Meyer	year	1/31	972,818,000	+16	26,618,000	+19	2.73

Figures in parentheses denote a loss   Source: *CSA Research*

L/F ECONOCYCLE

See food sales picking up in August



Food stores

Sales change by quarter	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81* 1Q %	'81* 2Q %	'81* 3Q %	'81* 4Q %	12-month % change '79 %	'80 %	'81* %
Sales include inflation	11.0	10.3	11.2	10.6	10.1	9.5	7.9	7.8	12	10	8
Real sales (deflated)*	5.8	4.9	2.0	-0.6	-1.7	-2.7	-0.4	2.7	2	3	-1

Base = Feb. 1981 sales
*Projected

A new round of revised Government figures now indicates that overall retail sales this February rose slightly faster than originally reported—up 1.1% over recent upwardly adjusted 1980 volume figures.

Last year, the Census Bureau reports, total retail sales hit $956.7 billion, 7% higher than 1979. With inflation factored in (at a 10% rate), "real" sales were off 3% for the year-to-year just past, the Government study shows.

As a result of these new adjustments, the L/F Econocycle model forecasts a slight improvement for retail sales over the next three quarters (chart below). Instead of a 1.1% decline in first-period sales, the composite now shows a marginal 0.3% gain. More important, the balance of the year is being propped up for an average gain of about 5%.

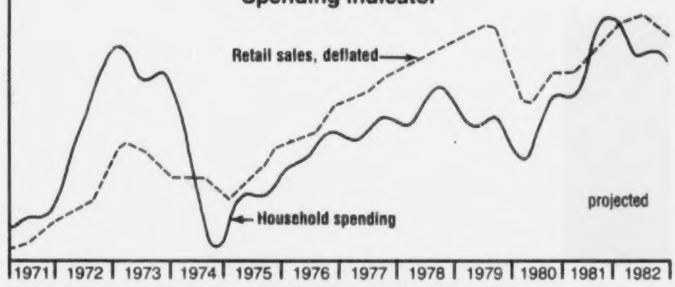
Food and grocery stores are still projecting below-par-results, however, and the projection through '81 into '82 is for fairly flat activity.

The L/F Econocycle projection shows negative sales expectations through the next two months, but a turnup should begin to take shape in August. As a result, supermarkets may post their first "real" sales gains in either August or September.

Over the next period, supermarket sales will probably hover at −3% (charts above). With the August-September turnaround forecast by Econocycle, the decrease for the food industry is now expected to be less than 0.5% in the third quarter. And new momentum in the fall months should kick fourth-quarter sales ahead into the plus 2% to 3% range for the first time.

On balance, food stores are generally looking at an overall decline of just 1% for the full year—but brighter prospects in '82 if the fourth-quarter trends hold strong as projected.

Spending indicator



Sales/include inflation
% change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	-8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	-9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	-1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q*	9.3	10.1	11.5	6.8	12.0	10.0	8.9	6.8	8.0
	2Q*	12.7	9.5	13.2	18.0	11.8	15.0	10.1	9.6	10.9
	3Q*	10.5	7.9	14.9	10.2	11.9	12.1	11.2	8.0	9.6
	4Q*	10.1	7.8	12.7	0.2	8.6	11.0	11.2	4.8	7.5
% change 12 mos.	1979	11.0	12.0	12.0	12.0	11.0	14.0	6.0	9.0	10.0
	1980	7.0	10.0	8.0	-3.0	12.0	4.0	4.0	6.0	5.0
	1981*	10.0	8.0	13.0	8.0	11.0	11.0	10.0	6.0	9.0

Real sales (deflated)*
% change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1980	1Q	-1.2	5.8	-0.0	-2.5	3.8	4.9	-1.4	1.9	1.8
	2Q	-5.0	4.9	-0.1	-17.4	2.0	-3.4	0.5	-2.4	-2.0
	3Q	-4.2	2.0	-0.9	-18.5	0.5	-5.8	-0.2	-3.4	-3.3
	4Q	-2.8	-0.6	-1.8	-10.6	3.9	-1.1	1.5	-2.0	-1.1
1981	1Q*	0.3	-1.7	2.3	-1.1	2.6	4.5	5.6	0.5	2.4
	2Q*	5.1	-2.7	4.2	11.8	4.3	9.7	6.2	3.7	5.5
	3Q*	4.6	-0.4	6.0	4.2	6.1	6.6	7.5	2.4	4.4
	4Q*	5.5	2.7	4.6	-6.0	4.3	4.3	8.1	-1.0	2.1
% change 12 mos.	1979	1.0	2.0	2.0	4.0	3.0	8.0	6.0	3.0	4.0
	1980*	-3.0	3.0	-1.0	-12.0	2.0	-2.0	1.0	-2.0	-1.0
	1981	4.0	-1.0	4.0	2.0	4.0	6.0	4.0	1.0	3.0

Base = Feb. 1981 sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

What keeps New Orleans shoppers so loyal?

Fresh bakery shifts toward self-service

Chain Store Age
Supermarkets
THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES
June 1981

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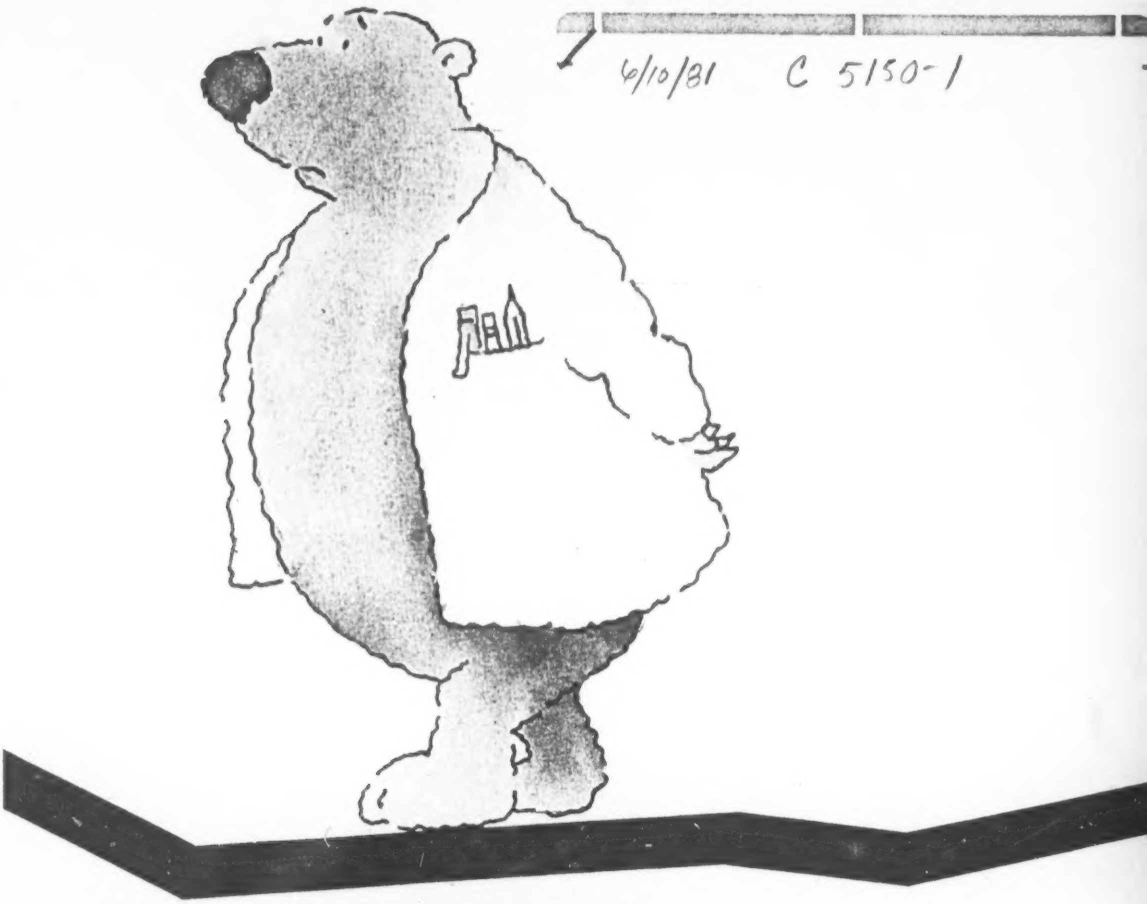

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Coping with a bear market

Annual Financial Recap

TWENTY EIGHT DOLLARS A YEAR (U.S.A.)

Chain Store Age
Supermarkets

June 1981

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EXPRESS CHECKOUT

Industry reports spotty results

Rampant inflation partially masks subpar performance for the supermarket industry during 1980, suggest figures compiled by the Food Marketing Institute for its annual "Supermarket Industry Speaks" presentation at the group's convention last month. The seeming double-digit sales gains recorded at both wholesale and retail become increases of less than 6% in each case, once the effect of inflation is taken into account.

Wholesale sales rose 14% over 1979, a slightly smaller increase than the 16% spurt that occurred in the prior year. Unfortunately, the gain apart from inflation was a much more modest 5.9%. The typical wholesaler now services over 100 supermarkets. Average sales at retail units serviced by wholesalers rose slightly, going from $1.75 million per super in 1979 to $1.82 million per store last year.

Retail sales also ballooned due to inflation, up 14.1% in 1980. Again, the real increase minus inflation was a great deal smaller, 5.6%.

Once again, the industry depended on new stores to produce the increment in sales. Volume of existing units grew 11.4%—4.5% in "real dollar" terms.

Capital productivity decreased for the first time in five years. *Forbes* magazine pegs ROI at 9.1% for the supermarket industry as a whole. Return on net worth, which some consider the most accurate barometer of how well a business is performing for its owners, rose slightly to 14.8%.

Two out of three primary yardsticks of store-level productivity suffered real dollar declines, though all three achieved increases when stated in terms of 1981 money. Sales per square foot, adjusted for inflation, diminished for the fifth consecutive year, finishing at $2.76 per square foot.

Despite the effort many retailers have expended on upgrading front-end productivity, there was also a 3.4% fall-off in sales per customer transaction, figured in "real dollars."

Only in sales per labor hour did the adjusted figure represent an improvement. This measure scored a real 5.2% gain to $34.67.

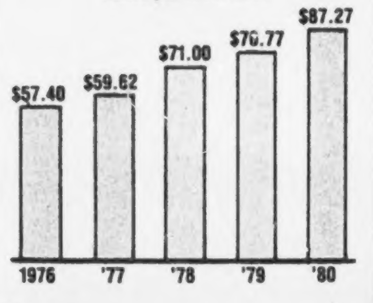
Net margins, which had risen every year since 1976, headed in the wrong direction in 1980. The 1.5% net is the lowest figure recorded since 1977. The year's third quarter was especially bad, with net for the industry dropping to 1.2% before taxes.

The average supermarket is now 23,000 sq. ft. in size, thanks to widespread construction of new superstores. The industry move to cut the investment in inventory and an influx of warehouse markets with reduced product assortments have cut the average number of sku's to 11,021. The average price per item rose 23 cents to $1.17.

Average gross margins actually rose slightly in 1980, reaching approximately 22.4% for operators without a warehouse and 20.9% for those that do own one. Gains in this area were more than offset by a rise in overhead expenses.

Labor productivity gains 14%

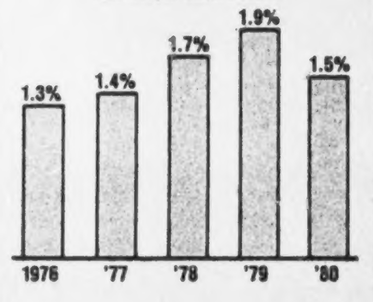
Sales per labor hour



Source: FMI

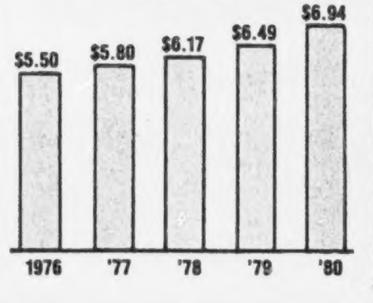
Net margin shrinks

Net margin before taxes

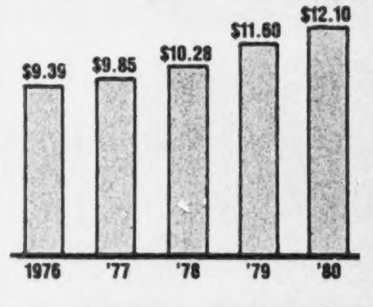


Inflation dents productivity

Sales per sq. ft.

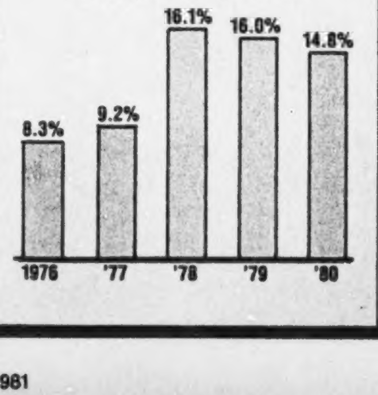


Sales per order rises slightly



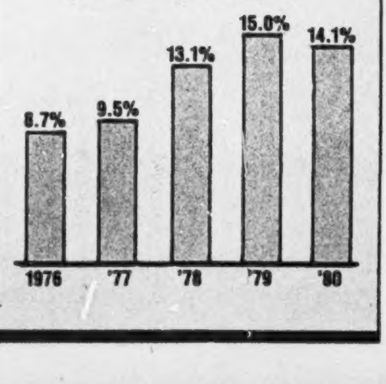
Wholesale sales growth slows

% change over previous years



Retail sales rise less than '79

% change over previous year



THE WALL STREET JOURNAL

Coping with a bear market

There's little solace in store for chain supermarket operators who are still licking the wounds sustained in rough-and-tumble 1980.

Although few of the nation's top supermarket companies have released their financial performance data for the first three months of 1981, the industry is already gritting its teeth in anticipation of another round of indifferent sales and earnings reports.

Although a *CSA* poll of chain chief executives conducted in January 1980 indicated that most expected productivity to be the major worry for the year, that old devil inflation emerged as Public Enemy No. 1 during the year. The bear economy weighed heavily on chain management shoulders—as it continues to do at the present time—and few operators proved capable of maintaining even the modest level of profitability that characterized the late 1970's.

Total supermarket industry sales rose 13.9% during calender 1980, increasing from $156.9 billion in 1979 to $178.7 billion last year. Unfortunately, this hefty-looking gain masks the fact that the retail food business continues to experience very little in the way of real sales expansion. Once the year's inflation rate—11%-13% depending on which analyst is speaking—is factored out of the total, sales expansion turns out to be no more than a rather minuscule 2%.

Although a few chains surmounted the year's obstacles to post solid gains in net earnings, this was the exception rather than the rule. It is likely that the net-to-sales ratio for the supermarket business as a whole will once again fall below the 1% level.

Inflation is forcing retailers to operate on the thinnest gross margins seen in years

Here again can be seen the sinister hand of inflation at work. Rapidly rising overhead, especially increases in the cost of labor and energy, have to some extent wiped out most, if not all, of the chains' recent hard-won productivity gains. (It should also be noted that the switch to the LIFO method of inventory valuation, an anti-inflation measure adopted by the majority of leading supermarketers, also results in a lower net profit total.)

Price wars: Inflation adversely affected profits in yet another way. Consumers, hard-pressed to make their income stretch to cover their own increased expenses, are steadily becoming more price-sensitive. This, in turn, has ignited no-holds-barred price competition among retailers in many key markets.

Los Angeles provides a case in point, showing how fierce these price wars can get at times. One of the biggest recent battles in the never-ending struggle for share-of-market supremacy involves promotions based on the time-honored concept of comparison shopping. Various chains began claiming that they offered the lowest prices—and that they could prove it in head-to-head competition with chain rivals. So far so good.

Then some enterprising supermarketers, notably Vons, Safeway and Alpha Beta, decided to put some extra muscle behind their claims of low-price leadership. This

Big chains' share slips

Safeway Stores is still the sales champion of the supermarket world, but the gap has narrowed slightly between the Oakland, Calif., operator and the rest of the retailing pack. Although Safeway's sales increased from $13.7 billion in fiscal 1979 to $15.1 billion in the company's most recently completed fiscal year, Safeway's share of total supermarket sales dipped to 8.5%—the second straight year in which the supermarketing giant had to accept a somewhat smaller slice of the pie.

Kroger became only the second food retailer in history to report sales of more than $10 billion, but its percentage of growth did not exceed the all-industry average to any significant extent. The Cincinnati company maintained its share at 5.8%.

Although A&P managed a small volume gain, going from $6.7 billion to $7 billion, it is still losing ground compared to the rest of the supermarket field. Its market share, which was within an eyelash of Kroger's as recently as 1978, has fallen below 4% for the first time in memory.

Despite a slight loss in market share attributable to the ongoing scramble in southern California, Lucky inched past American Stores and appears to be closing in on A&P. If present trends hold, the industry could well have a new No. 3 chain by 1982.

Overall, the top biggest chains held a slightly lower share of total supermarket sales in 1980 than in either of the two previous years. Some of the factors involved are the Government's negative attitude toward big chain mergers and acquisitions in the Carter years, rapid expansion by some of the regional chains that rank further down on the "top 100" list, and the take-over of many former chains' units by aggressive independent.

Top 10 by market share

	1980 rank	% 1980 market share	1979 rank	% 1979 market share	1978 rank	% 1978 market share
Safeway	1	8.5	1	8.8	1	9.1
Kroger	2	5.8	2	5.8	2	5.7
A&P	3	3.9	3	4.2	3	5.4
Lucky	4	3.6	5	3.7	4	3.4
American	5	3.6	4	3.9	6	2.7
Winn-Dixie	6	3.0	6	3.1	5	3.2
Jewel	7	2.4	7	2.4	7	2.7
Grand Union	8	2.0	8	2.0	8	1.7
Albertson's	9	1.7	9	1.7	10	1.5
SGC	10	1.5	10	1.5	n/r	1.3
Total		36.0		37.1		36.7

Source: *Chain Store Age Research*

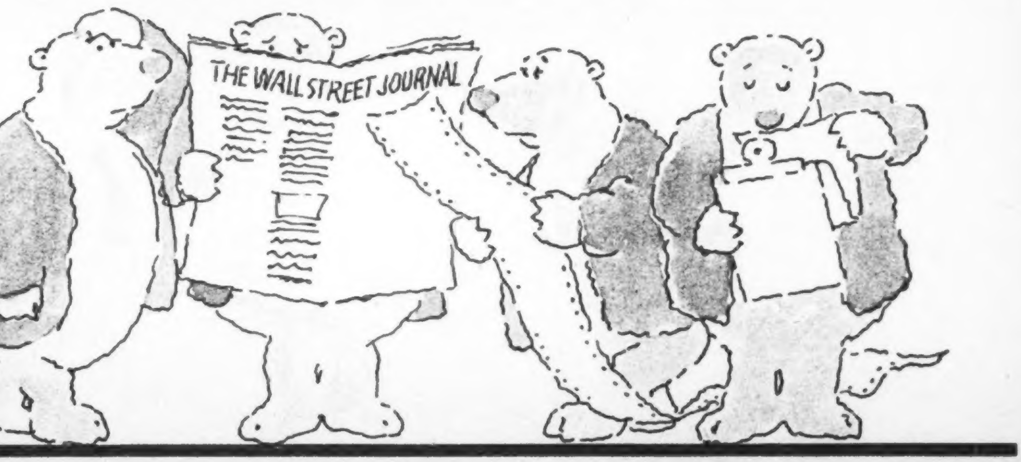
trio of chains began offering to refund double the difference in price to any customer who could purchase an order of groceries at a competing supermarket for less money than that same order would cost at one of their units.

Now Market Basket has upped the ante. The Kroger division is giving triple the difference when its price on a given order comes out second-best in one of these shopping comparisons.

Will the next step be "quadruple the difference"? Probably not, but the outlook in Los Angeles, as elsewhere, is for more deep-cutting price promotions that can only make it harder to keep net profit growth abreast of sales volume expansion.

Box store heat: No-frills retailing in all of its varied aspects is also causing operators to shave the gross. Warehouse markets and limited assortment stores have proven to be tenacious competitors that conventional supermarketers simply can't afford to ignore. The only effective defense appears to be to bring down prices across the board to deny box stores a significant advantage in this regard. This works, as retailers in northern New Jersey and southern California have demonstrated, but it also exacts a heavy toll on the net profit line of the balance sheet.

The rising cost of capital expansion also depresses profits, though hopefully only in the short term. Those high-volume, high-productivity superstores most chains are building these days don't pay out immediately. Top managements believe that the nearly $3 billion the industry will spend on building, renovating and recycling stores this year will return several times over within two to three years, but such spending does hold down profit in the here and now. ☐



and high operating costs and a shrinking market have put enormous pressure on margins.

More significantly, the intensity of the Northeastern market is gradually working its way down the coast. Safeway, Food Fair, Grand Union and others are extending the Baltimore-Washington wars to markets such as Richmond, Norfolk and Charlotte.

In Atlanta, the battle started in the form of a health and beauty aids price war.

West: On the West Coast limited assortment and warehouse stores are bottoming out as the one-stop-shopper wheels through superstores. Chains like King Soopers, Ralphs, Alpha Beta and Vons are ditching one format in favor of the other.

Meanwhile, superstores are adding square footage to new units located in small cities and towns to which Western migrants—spurred by sunshine, Reagan's Presidency and the defense budget—are thronging.

Western retailers boast 30,000-sq.-ft.-40,000-sq.-ft. stores, up from 25,000 sq. ft.-30,000 sq. ft., chock full of nonfoods and specialty departments like pharmacy, deli, bakery and cosmetics. Safeway, with its pledge to install 205 in-store pharmacies by 1981, and Vons lead the Rx crusade focused on one-stop shoppers, but Ralphs has rejected the idea and presently has only two pharmacies, both consignments. Companies with combos, pursuing the big-fish-in-a-small-pond strategy, are sidestepping established areas for roosting privileges in small communities.

Everyone has an eye on Jewel, however. There's speculation that its 20 box stores, opened since January 1980, and Sav-On acquisition are groundwork moves for buying a major California chain. ☐

What's your choice for best-managed chain?

Which chain will *Chain Store Age Supermarkets* honor as the best financially managed food chain of 1980? Will Publix repeat its winning ways for the second straight year? Will Albertson's bounce back to its 1978-level perch? Or will another of the nation's billion-dollar (sales) performers capture the grand prize?

Sorry, but you'll have to wait until next month to find out which of the 12 candidates profiled on the following pages ranks the highest in *CSA*'s weighted yardstick formula.

In the meanwhile, retailers can take a stab at winning five shares of the top performing company by filling out the postcard located in this section. And hurry—prizes will be awarded to the first five entries with the correct answer!

To aid in your selection, here's a list of the weighted yardstick formulas *CSA* editors use to determine performance rankings: (1) ROA, (2) ROE, (3) compound growth rate (past five years), (4) financial leverage ratio, (5) long-term debt/equity ratio, (6) capital investment (% sales), (7) GMROI/Inventory, (8) operating income (% of sales), (9) accounts payable/inventory, (10) sales per supermarket, (11) sales per employee, (12) current assets/liability ratio.

Rank	Chain	1980 sales volume (000 omitted)	1979 sales volume (000 omitted)	% change
1.	**Safeway†**	$15,102,673	$13,717,861	10.1
2.	**Kroger†**	10,300,000	9,030,000	14.3
3.	**A&P**	6,989,529	6,684,179	4.6
4.	**Lucky**	6,468,682	5,815,927	11.2
5.	**American Stores[1]**	6,419,884	6,120,963	4.9
6.	**Winn-Dixie†**	6,200,000*	5,388,979*	15.0
7.	**Jewel†**	4,267,922	3,684,929	15.8
8.	**Grand Union**	3,527,540	3,137,612	12.4
9.	**Albertson's**	3,039,128	2,673,848	13.7
10.	**SGC (Pathmark)[2]†**	2,630,000	2,370,000	11.0
11.	**Publix†**	2,168,000	1,950,000	11.7
12.	**Dillon**	2,077,265	1,792,217	22.0
13.	**Stop & Shop**	2,059,183	1,878,864	5.5
14.	**Vons**	1,800,000	1,473,000	10.2
15.	**Giant Food**	1,483,476	1,240,000	19.0
16.	**Fisher Foods†**	1,412,962	1,336,293	5.7
17.	**Waldbaum's**	1,271,000	1,103,000	13.0
18.	**First National†**	1,259,700*	1,364,997	(– 7.7)
19.	**National Tea**	1,219,304	1,045,695	16.6
20.	**Food Fair**	1,128,650	1,492,243	(–24.7)
21.	**Borman's†**	1,000,795	905,400	10.5
22.	**Ralphs†**	980,800	882,700	11.0
23.	**Fred Meyer**	972,818	836,001	16.0
24.	**Cullum†**	864,974	782,520	10.5
25.	**H. E. Butt**	803,000	728,000	10.3
26.	**Hy-Vee**	770,000	683,000	12.7
27.	**Gamble Skogmo**	730,000	800,000	(– 8.8)
28.	**Weis**	684,814	606,346	13.0
29.	**Scrivner**	650,000	616,000	5.5
30.	**Smith's Mgmt.**	625,000	621,000	0.6
31.	**Furr's**	620,000	616,000	0.6
32.	**Bi-Lo's (S.C.)**	610,000	604,800	0.9
33.	**Foodtown (N.C.)**	543,883	415,973	30.8
34.	**Allied**	534,833	604,915	(–11.6)
35.	**Arden Mayfair**	509,628	460,479	10.7
36.	**Alterman†**	500,000	435,999	14.7
37.	**Kohl's**	500,000*	492,000*	1.6
38.	**Purity Supreme**	500,000	381,000	31.2
39.	**Stater Bros.**	489,000	420,567	16.3
40.	**Raley's**	485,000*	270,000*	79.6
41.	**Thriftimart†**	483,700	431,870	12.0
42.	**Chatham†**	480,000	482,000	(– 0.4)
43.	**Bruno's†**	458,629	385,595	18.9
44.	**Giant Eagle**	450,000	406,500	10.7
45.	**Schnuck's**	435,000	500,000	(–14.9)
46.	**Price Chopper**	435,000	520,800	(–16.5)
47.	**Nash Finch†**	434,663	386,934	10.9
48.	**Foodarama**	412,890	413,016	—
49.	**DeMoulas**	410,000*	252,000	38.5
50.	**Sentry**	408,345	368,679	9.7

Source: All data is as stated in annual reports. S.E.C. 10K Forms and other financial statements. Estimates (indicated by an asterisk*) are used in the absence of published data.

The top 100 food chains

1980 rnings (0 omitted)	1979 earnings (000 omitted)	% change	Rank	Chain	1980 sales volume (000 omitted)	1979 sales volume (000 omitted)	% change	1980 earnings (000 omitted)	1979 earnings (000 omitted)	% change
119,368	$ 143,323	(– 2.0)	51.	Big V	$ 407,872	$ 357,984	12.2	$ 5,128	$ 4,704	8.3
94,386	85,720	10.1	52.	Smitty's	400,000*	288,000	28.0	n/r	n/r	n/r
43,040)	(– 3,807)	(–1030.7)	53.	Pueblo Int'l	396,600	330,773	16.6	3,370	4,033	16.4
90,458	98,100	(– 7.8)	54.	Shopwell	384,559	279,000	27.4	1,125	1,060	5.8
51,553	62,782	(– 17.9)	55.	Big Bear	375,000	420,000	(–10.7)	n/r	n/r	n/r
100,000	94,500	5.5	56.	Super Valu	373,980	201,524	85.5	n/r	n/r	n/r
55,893	50,686	10.3	57.	A. J. Bayless†	368,521	319,837	15.2	2,550	2,193	16.3
35,310*	30,669	15.1	58.	Penn Traffic†	368,075	375,573	(– 2.0)	5,933	6,463	(– 8.2)
41,621	38,323	8.6	59.	Harris Teeter	363,700	329,614	10.3	6,400	6,889	(– 7.1)
26,100	23,500	11.1	60.	King Kullen†	359,910	318,363	13.1	1,401	1,843	23.9
37,207	37,068	0.4	61.	Seaway Foodtown†	357,113	325,856	9.6	4,587	4,756	(– 3.6)
27,397	33,586	18.5	62.	Wegman's	350,000	350,000	—	n/r	n/r	n/r
12,183	14,830	9.7	63.	Schwegmann	350,000	335,000	4.5	n/r	n/r	n/r
15,992	15,475	3.3	64.	Hughes	350,000*	300,000	16.6	n/r	n/r	n/r
18,308	17,589	2.5	65.	Delchamps	350,000*	260,000	34.6	n/r	n/r	n/r
6,703	6,989	4.3	66.	Tradewell	325,000*	325,000	—	n/r	n/r	n/r
10,800	7,820	38.0	67.	Schultz Save-O	309,595*	261,950	18.1	1,580	1,871	(– 15.5)
5,253	3,934	37.0	68.	Shaw's†	300,000*	312,000	(– 3.8)	n/r	n/r	n/r
14,173	13,132	7.9	69.	The Boys	300,000*	300,000	—	n/r	n/r	n/r
22,573	(–211,147)	110.7	70.	Giant	295,000	168,000	75.6	n/r	n/r	n/r
33,000	467,000	(– 92.9)	71.	Ingles	289,000*	249,000	16.1	n/r	3,475	n/r
n/r	n/r	n/r	72.	Mayfair (Foodtown)	279,552	266,069	5.1	422	(– 286)	247.5
25,812	21,500	20.0	73.	Victory Markets†	275,924	241,614	14.2	719	1,037	(– 30.7)
11,290	9,406	20.0	74.	Almacs†	275,000*	275,000	—	n/r	n/r	n/r
n/r	n/r	n/r	75.	Star Supermarkets†	274,251	248,904	10.2	2,039	3,135	(– 35.0)
n/r	n/r	n/r	76.	Thorofare Markets	272,395	218,347	24.8	890	1,411	(– 93.7)
n/r	n/r	n/r	77.	Mott's	264,794	234,792	12.8	3,817	2,888	32.2
33,091	28,880	15.0	78.	Red Food	261,264*	239,000	9.3	n/r	n/r	n/r
n/r	n/r	n/r	79.	Handy Andy	259,000*	250,000	3.6	n/r	n/r	n/r
n/r	n/r	n/r	80.	Brookshire	250,000	230,000	8.7	n/r	n/r	n/r
n/r	n/r	n/r	81.	Jitney-Jungle	246,000	219,186	12.2	n/r	n/r	n/r
n/r	n/r	n/r	82.	Village†	245,295*	232,165	5.6	1,830	1,004	82.2
15,287	13,170	16.1	83.	Fareway	240,000	246,400	(– 2.6)	n/r	n/r	n/r
2,092	(– 29,398)	107.1	84.	Country Club	240,000	220,000	9.1	n/r	n/r	n/r
4,220	2,097	101.2	85.	Piggly-Wiggly (R.R.)	240,000	226,000	6.2	n/r	n/r	n/r
n/r	4,162	n/r	86.	Minyard	240,000	228,600	5.0	n/r	n/r	n/r
n/r	650	n/r	87.	Fred W. Albrecht	240,000*	231,000	3.9	n/r	n/r	n/r
n/r	2,542	n/r	88.	Tamarkin	240,000	201,600	19.0	n/r	n/r	n/r
19,300	18,892	2.2	89.	Randall	225,000*	195,750	14.9	n/r	n/r	n/r
n/r	n/r	n/r	90.	Milgram	220,000	188,000	17.0	n/r	n/r	n/r
4,408	7,002	(– 10.4)	91.	Houchens	200,000	175,000	14.3	n/r	n/r	n/r
n/r	n/r	n/r	92.	Meijers	200,000	172,000	14.0	n/r	n/r	n/r
8,618	6,655	29.5	93.	Consumers Market	200,000	168,000	19.0	n/r	n/r	n/r
n/r	n/r	n/r	94.	Save Marts	190,000	168,000	13.1	n/r	n/r	n/r
n/r	n/r	n/r	95.	Lowe's (N.C.)	185,000	163,423	13.2	n/r	n/r	n/r
n/r	n/r	n/r	96.	Melmarkets	176,000	174,720	0.7	n/r	n/r	n/r
n/r	n/r	n/r	97.	Giant (Pa.)	175,000*	140,000*	25.0	n/r	n/r	n/r
1,279	780,000	39.0	98.	Peter J. Schmitt	160,000	181,440	(–11.8)	n/r	n/r	n/r
n/r	n/r	n/r	99.	Food World	152,000	168,000	(– 9.5)	n/r	n/r	n/r
2,720	3,884	42.0	100.	S. M. Flickinger	150,000	204,430	(–26.6)	n/r	n/r	n/r

†Indicates the company uses LIFO method of accounting for all or substantial amounts of inventory.

[1] Sales and earnings stated on a *pro forma* basis assuming the combination of Skaggs Cos. and the former American Stores Co. occurred at the start of fiscal 1979.

[2] Supermarket operations only.

Safeway: foresight nets real growth

Repositioning and expansion are main goals in new management's present and future plans

BLUE RIBBON PERFORMER

Name something that can hurt a company's performance—work stoppages, management restructuring, higher costs, increased competition—and Safeway went through it last year.

Given that, the firm's 10% sales increase to $15.1 billion, and its 16% earnings dip, from $143 million to $119 million, isn't that bad a showing for the first year of the Peter Magowan/Dale Lynch team. In fact, the sales increase represents $1.4 billion in new business, about the size of the 20th largest chain.

Last year was one of repositioning for Safeway. On the corporate level the company pulled back a few division managers into its Oakland headquarters, in an effort to coordinate the chain's programs, such as advertising, more closely.

On the retail level, ceo Magowan vowed to reposition Safeway to be competitive in every market. Last year, the chain jumped into the price-cutting fray with a vengeance, which helps account for the profit decline.

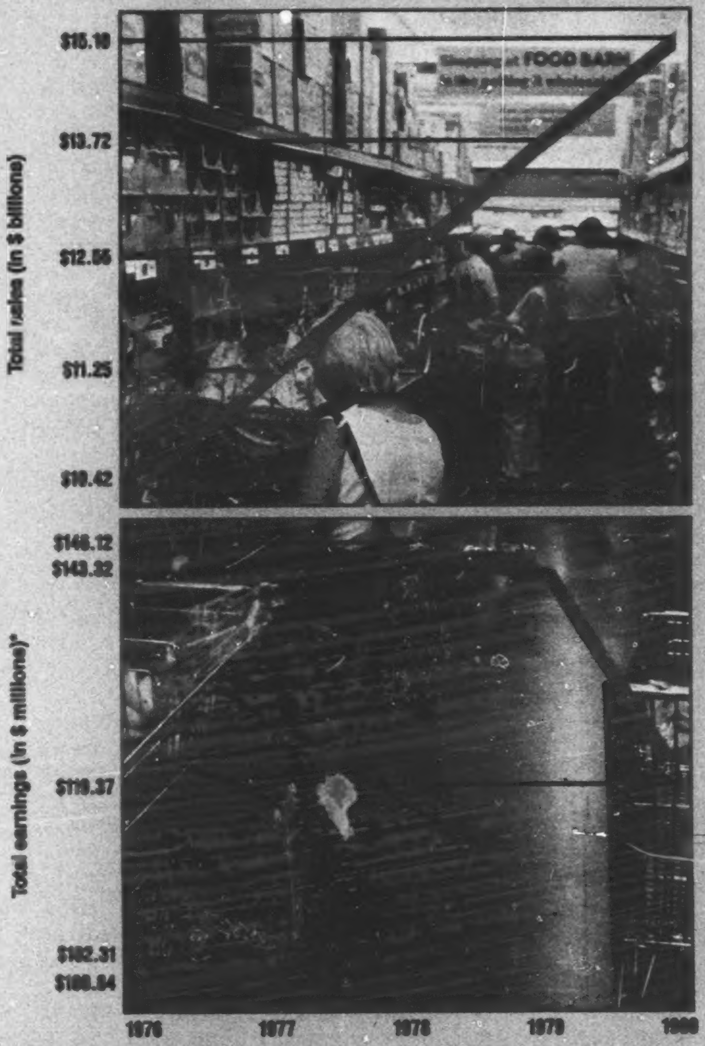
And while the remerchandising program got Safeway in step with the present, Magowan and company are working hard to place the firm in a strong posture for the future.

Safeway stepped up efforts to shed itself of small outmoded stores. Last year it opened nine fewer stores (160) than it closed, spending $493 million in the process.

Most of the stores were Safeway's 40,000-plus-sq.-ft. superstores, which succeeded in hiking average annual sales over the $6 million level per store. The chain's only combination store, a 57,600-sq.-ft. unit, opened last August in Sherman, Tex. Six more combos are slated for 1981-82.

Safeway is also experimenting with even larger stores, including a 62,000-sq.-ft. giant in Washington, D.C., which opened last month.

While banking on the superstore for the future, Safeway continued to find new lives for discarded units. The company created 25 Food Barn outlets, nine Liquor Barns and a home improvement center from older stores. More additions are expected to those fledgling operations next year.


Reorganization shuffles the numbers

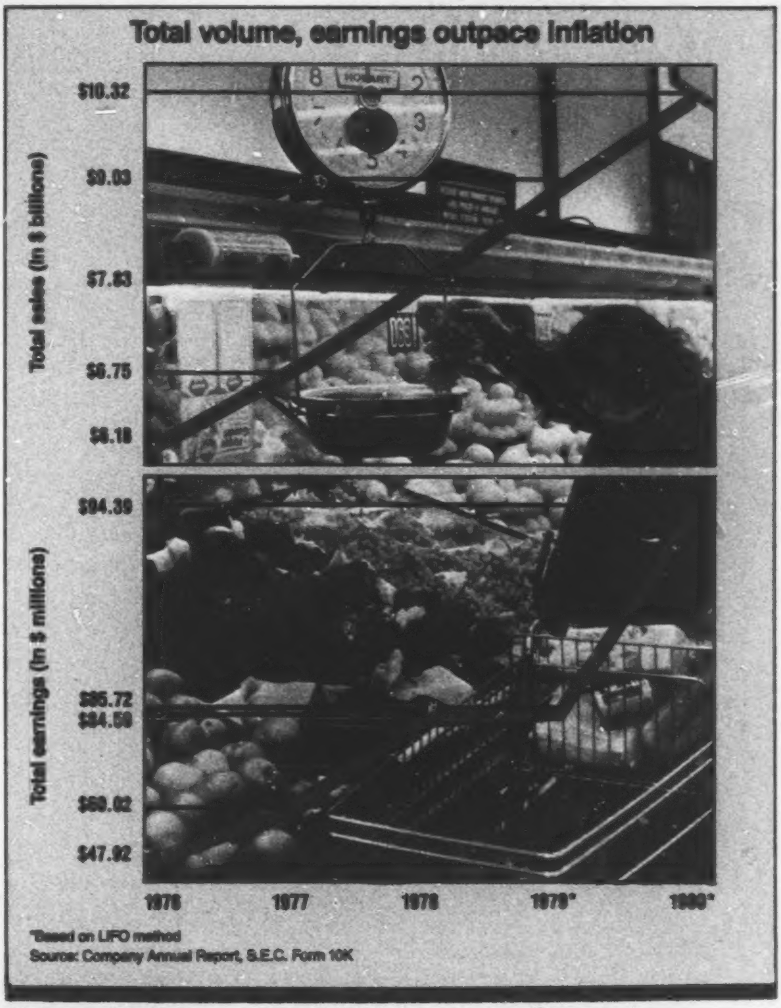
*Based on LIFO method, 53-week year.
Source: Company Annual Report

Safeway is building on the inside, too. By year end, the company expects to install 340 natural food centers in its stores and complete 205 more full-line pharmacies, more than twice the number built last year. The chain is also making a bigger push into GM lines.

Safeway officials say that growth will also come from overseas. The company is looking to expand its private label goods business and may make more acquisitions. Presently, the Safeway banner flies in Canada, the United Kingdom, West Germany and Australia. ☐

Kroger's expansion policy pays off

Move into new markets, commitment to superstores push sales over $10 billion


Total volume, earnings outpace inflation

*Based on LIFO method

Source: Company Annual Report, S.E.C. Form 10K

BLUE RIBBON PERFORMER

Kroger's bold move to open a SupeRx Food and Drug mini-combo store last year in Florida symbolizes the aggressive attitude that led the company to record sales and earnings in fiscal 1980.

The nation's second-largest food chain racked up total sales of $10.3 billion, a solid, inflation-beating increase of 14.3% over 1979. Earnings followed suit, jumping after the LIFO adjustment from $85.7 million in fiscal 1979 to $94.4 million in fiscal 1980.

Food store sales are the backbone of the Kroger juggernaut, representing 93% of total company volume. Up 15.8% from 1979, the chain took in $9.7 billion through food store sales last year.

Kroger's hard-driving ascension shows no signs of abating; sales from the first six months of fiscal 1981 are up 15% over the same 1980 period. And with moves like its recent invasion of the San Antonio market, the company's appetite for expansion apparently remains undaunted.

The roots of the Kroger success story can be traced back to its superstore-oriented revitalization in 1972. At that time the average Kroger outlet measured less than 19,000 sq. ft. Today it's 27,710 sq. ft. Total retail food space was not quite 26 million sq. ft. Now, bolstered by a $2.1 million gain in 1980, it's 34.5 million sq. ft.

Since 1972, 90% of Kroger's current 1,245 stores are new or have been extensively remodeled. Spread out over 21 states, the company operates what may be the most modern chain in the country.

In 1980 alone, Kroger opened 118 new stores and remodeled 49. More than half of the new stores are located in the Sunbelt, with its double-digit population growth rate. The chain streamlined its operation by closing 86 stores and selling 21 unprofitable ones in 1980.

Fueling the company's growth are capital expenditures, which rose from $177 million in 1979 to $239 in 1980; $250 million in capital expenditures are expected in 1981.

Strong personnel training programs and the promotion of the Kroger private label line also contribute heavily to the chain's strong showing.

But what a Kroger spokesman calls "the secret to our success" is the company's extensive market research program, which in 1979 and 1980 surveyed a quarter-million customers to find out what they wanted in a store.

The result is Kroger's continuing commitment to superstores. The prototype is a 42,000-sq.-ft. combo store, with a strong emphasis on specialty departments such as in-store bakeries, floral shops, delis and even a few sit-down restaurants.

Currently, 70% of all Kroger stores have these departments, and the chain expects to include them in 80% of its stores by 1982.

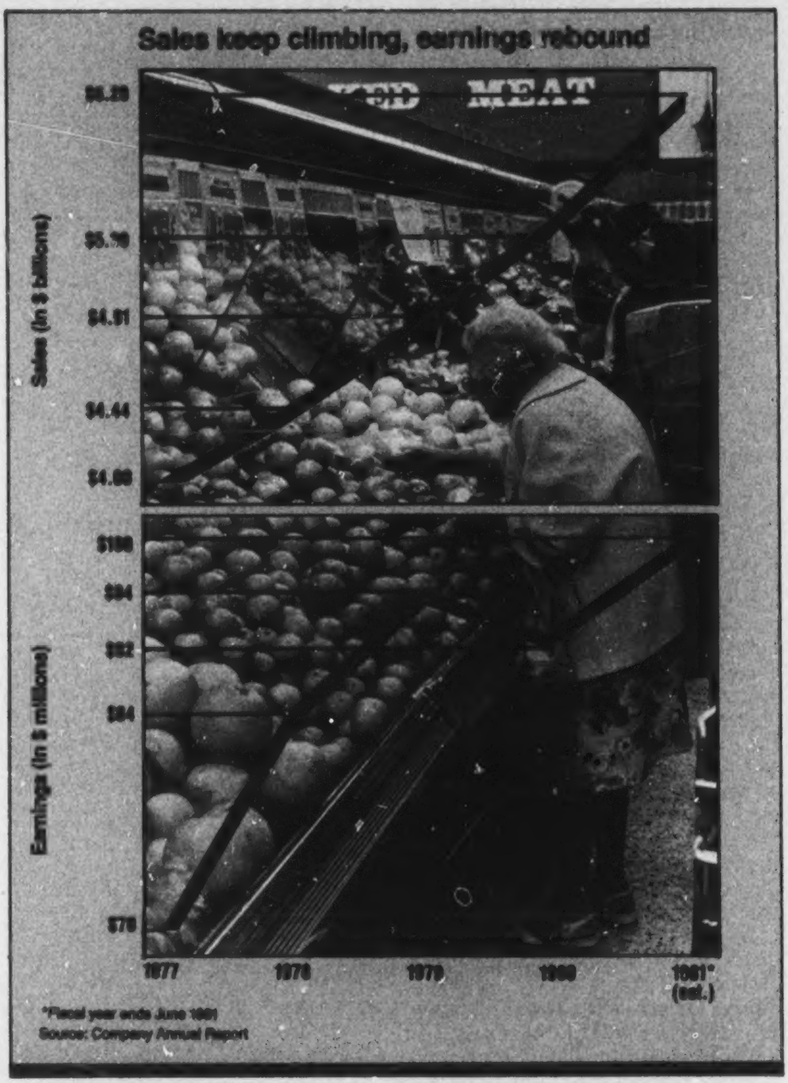
The weak link in the vast Kroger operation is its SupeRx Drug Stores. Though sales have risen, operating profits dipped sharply from $12.8 million in 1979 to what Kroger admits is a disappointing $9.8 million in 1980.

Still, with its collection of 765 superstores, 107 combo stores, 353 conventional supermarkets, 4 Barney's warehouses and 16 Bi-Lo box stores, Kroger figures to march confidently into the 1980's. ☐

Winn-Dixie holds its Southern share

Everyone's gunning for the South's largest chain, but that hasn't slowed sales growth

BLUE RIBBON PERFORMER



*Fiscal year ends June 1981

Source: Company Annual Report

Winn-Dixie Stores Inc. is something of an enigma. Its Southern operating base has become the main target for a variety of rival chains, most of which are building bigger, higher-volume stores that offer more specialty departments and services.

Winn-Dixie doesn't seem to notice them. It hasn't altered store formats or style much; like Ol' Man River, the South's largest supermarket chain just keeps rolling along.

In the current fiscal year ending this month, Winn-Dixie should reach sales of $6.2 billion, an increase of 15%, while earnings should rise 8.7% to near $100 million. That would represent a turnaround year from fiscal 1980's drab performance, when earnings dropped and sales fell flat.

The news isn't all that cheery for the company. Net-to-sales ratio will most likely fall below 1.7% to the lowest point in recent history. The lower ratio, the second consecutive drop, was a defensive measure to combat market pressure applied by inflation and a pack of industry wolves eager to take a slice out of W-D's Southern hide.

That kind of pressure is only going to intensify, and Winn-Dixie seems reluctantly resigned to the fact that the company may have to alter the conservative style in which it does business.

Traditionally, the chain has relied on outstoring the competition to hold market share and on its reputation as a meat merchant to attract traffic.

In the current economy, that tactic won't work, and W-D officials state flatly that store openings will be reduced next year because of the inability of developers to finance shopping centers at reasonable interest rates. Last year the company opened 65 stores and closed 30.

Instead, Winn-Dixie will concentrate on renovating and enlarging some of its smaller stores—average size was about 21,000 sq. ft. last year—and on increasing sales productivity on a unit basis.

Last year Winn-Dixie averaged per store sales of $4.5 million and sales per square foot of $4.11 per week, both well below the industry average. In this weakness, though, the company can find some solace: Increasing those sales will not be as costly as it is for other, higher-volume chain stores.

The company appears to be making progress in both those areas. Per store sales for fiscal 1981 should increase to about $5 million, a healthy 11% gain.

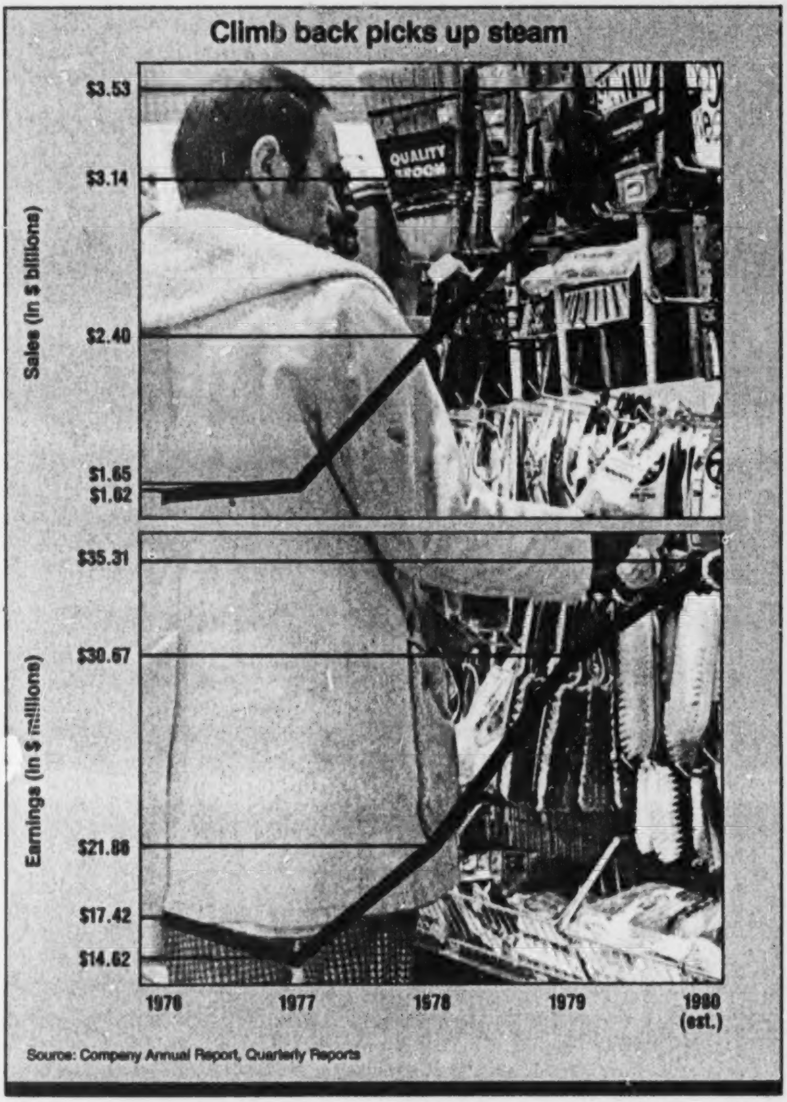
The company also made headway last year in its continuing dispute with the United Food and Commercial Workers Union. The company and the union agreed to drop a series of charges and countercharges of labor law violations filed with the National Labor Relations Board regarding the union's attempt to organize W-D stores.

Although the company remains intractably opposed to organized labor, the agreement will allow management to concentrate more on the marketplace than labor hearings. ☐

Grand Union fine-tunes operations

BLUE RIBBON PERFORMER

Climb back picks up steam



Source: Company Annual Report, Quarterly Reports

New management, acquisitions and formats mark attempt to increase bottom line

Fiscal 1980 was an active year for Grand Union, marked by a new management team, expansion to fresh territories and a surge into warehouse-format stores. Although profits weren't as healthy as they might have been, the company maintained an aggressive search for just the right mixture of ingredients to produce an earnings swell.

Sales ran ahead of inflation, reaching $2.69 billion at the end of the third quarter, an increase of 12.45% over the same 40 weeks of a year before. The Elmwood Park, N.J., food chain should add an estimated $840.91 million to that figure by the end of fiscal 1980, for a total of $3.53 billion.

Profits showed a marked increase, hitting $27.16 million at third-quarter end, and should finish at about $35.31 million, an increase of 15.1% over fiscal 1979's $30.67 million. However, that figure includes some nonrecurring items: a pretax gain of $6.83 million on the preferred stock of Cavenham Holdings Inc., one of Grand Union's parent companies, and a provision of $3.24 million for the costs of closing catalog store operations.

Factoring out these one-time items leaves estimated annual earnings of $31.72 million, or a 4% gain from 1979.

An important part of the profit quest was Cavenham's acquisition of the 102-store J. Weingarten chain. Along with the February 1979 addition of Atlanta-based Colonial Stores, this now gives Grand Union a selling area that extends from the Northeast through Texas. Houston-based Weingarten isn't included in 1980's figures.

Spearheading the growing Grand Union Co. is a reshuffled management team headed by Patrick A. Deo, who added the title of ceo to that of president in April 1980. It's uncertain just how he'll integrate Weingarten with the rest of the company, but it's worth noting that when Colonial was scooped up several new regions were formed, led by senior executives from both firms.

One movement that seems sure to continue is the opening of warehouse-format stores. BASICS Food Warehouses, introduced in 1979, now number 19 of the 856 Grand Union stores. These barebones units, which carry fewer than 4,000 different items, generate a whopping $300,000 in average weekly sales.

The BASICS stores played an important part in hiking average weekly sales at Grand Union and Big Star (Colonial) outlets by almost $10,000 from 1979. Other moves that helped push that figure to $80,000 were the closing of 32 profit-draining units and the opening of 36 new ones. Also contributing were 51 major renovations and six enlargements. Still the figure could stand improvement.

Future plans to increase conventional store sales include modeling units after Grand Union's Wyckoff, N.J., store. The 28,000-sq.-ft. prototype features scanner-equipped checkouts and emphasizes attractive decor and customer service. ☐

Jewel plots expansion course

BLUE RIBBON PERFORMER

If there are prideful smiles on the faces of chairman of the board Weston R. Christopherson and other top managers at Chicago-based Jewel Cos., it is no more than fitting. In these inflation-ravaged times, few operations successfully combine aggressive capital construction and diversification programs for tomorrow with excellent financial performance today.

That's exactly what the folks at Jewel have done. Thanks primarily to its acquisition of Sav-On, Jewel recorded a sales gain of 15.8%. Total volume for the fiscal year ended Jan. 31, 1981 reached $4.3 billion, up from $3.7 billion in the previous year.

Although the effect of the LIFO method of accounting acted to hold down the rise in net earnings, Jewel nonetheless logged an increase of 10.3% to $55.9 million. (In FIFO terms, the net would have hit $66.7 million.) Particularly noteworthy in light of prevailing industry trends is Jewel's very substantial net-to-sales ratio of 1.31. This is one of the best figures compiled by any of the nation's billion-dollar super chains.

"Jewel has been substantially repositioned in recent years," says Christopherson, "and the results became apparent in 1980. We disposed of our Turn*Style and Republic Lumber divisions in 1978. We closed off the losses from our Milwaukee operations and from the Jewel Home Shopping Service in 1980."

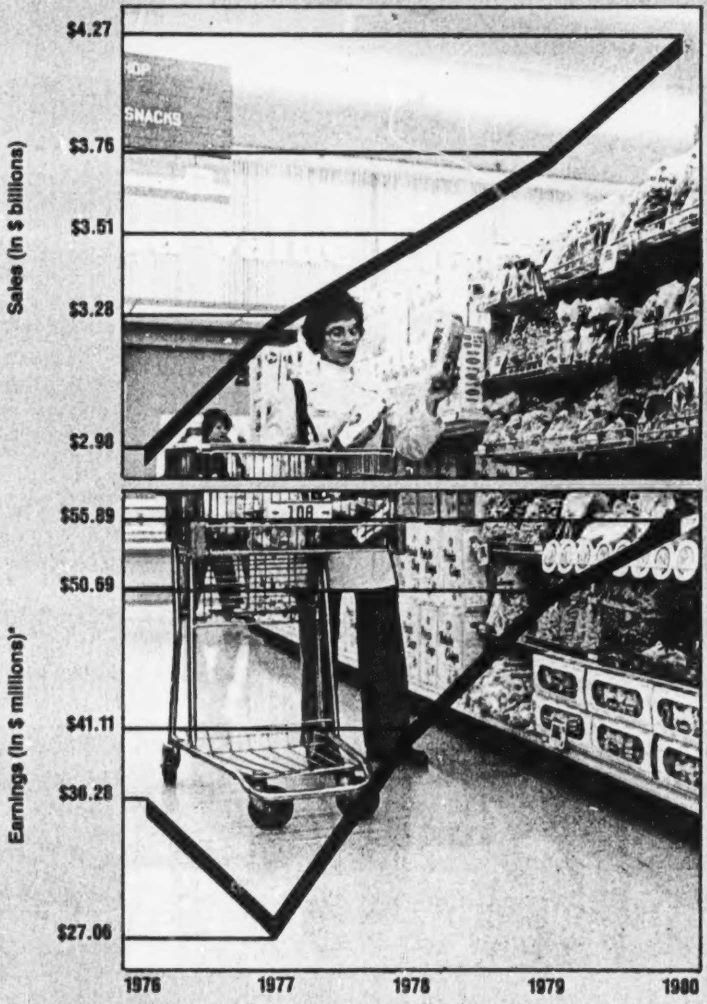
The merger with Sav-On satisfies a yen Jewel management has had for several years: finding a drug-oriented partner to smooth the way for expansion through construction of food/drug combinations. Obtaining Sav-On would seem to solve this problem, as well as extending Jewel's geographic reach to territories with higher profit potential than its Great Lakes basin home base. Most industry observers expect the chain to enter West Coast markets with combo units within the next year.

Already in evidence on the West Coast, as well as in other areas such as central Pennsylvania and Florida, is the company's limited assortment store vehicle, Jewel T. Performance of these units is reportedly quite satisfactory, and further expansion is a likelihood for the coming year.

Now that management is beginning to see its labors bear fruit, plans call for a lot more of the same over the next few years. The chain expects to spend at least $350 million on capital construction between now and 1984.

According to Christopherson, the program for the next three years will emphasize "new combination food/drug stores and drug retailing, continued investment to expand Jewel's position in its changing food retailing business, continued geographic diversification and other strategies designed to increase the return on shareholders equity." ☐

Diversification labors bear fruit



*Based on LIFO method
Source: Company Annual Report

Sav-On merger, geographic extension have pushed sales past $4 billion barrier

Albertson's moves farther and wider

BLUE RIBBON PERFORMER

Like a tugboat pushing upstream, Albertson's sales powered the operation's motor, but earnings barely towed the line in fiscal 1980—a year of significant expansion and store growth for the country's ninth-largest supermarket chain.

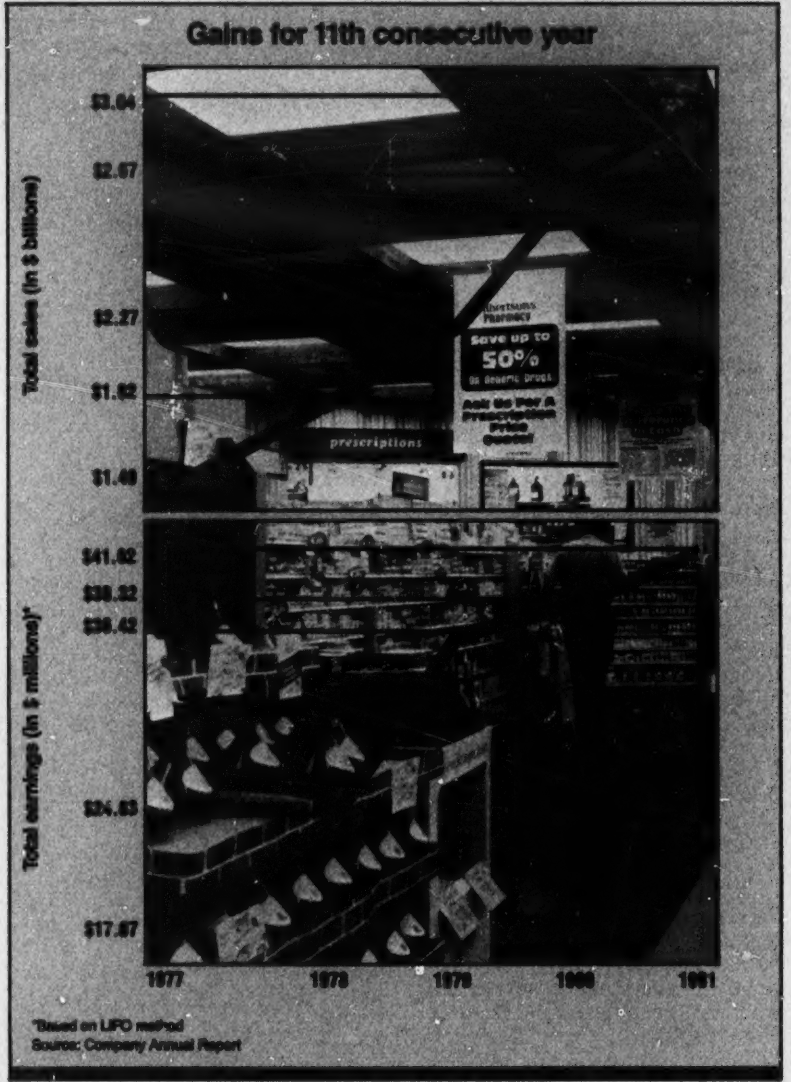
Sales zipped up 14% for the Boise, Idaho-based chain during the fiscal year ended Jan. 29, from $2.67 billion to $3.04 billion. Earnings gained 9%, just trailing the inflation rate, to finish at $41.62 million, up $3.10 million from fiscal 1980.

Albertson's has moved cautiously but aggressively into the area of store expansion. This year alone it increased average store size to 42,000 sq. ft., adding 24 new stores, renovating or rebuilding 21 and closing 12 units for a net total of 396 stores. The changes added 1 million sq. ft. at a cost of $59.14 million.

The company's venture into combos, launched by the Albertson's/Skaggs team-up several years ago, barreled ahead in 1980 with 10 new 55,000-sq.-ft. food/drug combination stores. They join the 59 existing units operating in Alabama, Florida, Louisiana and Texas. Management is sticking with smaller combos—essentially superstores with drug departments—in California, where several of the company's new 42,000-sq.-ft stores are located. The chain also added nine 30,000-sq.-ft "conventional units." In sum, Albertson's is concentrating on one-stop-shopping strategy while tailoring store plans to suit individual communities.

Seven Grocery Warehouse experimental units, ranging up to 72,000 sq. ft., are part of a new warehouse market concept the chain is now testing.

A 2-for-1 stock split made headlines this year. Next year openings in Nebraska and South Dakota, new states for the chain, will be front-page material. Company executives have targeted the two states for a significant portion of the chain's new Plains States and combo store expansion. Capital expenditures (1981) for 30 new stores (eight combos), 21 remodeled and expanded units and six closings may add up to some $62 million.



Gains for 11th consecutive year

*Based on LIFO method
Source: Company Annual Report

Looking for wide-open spaces, the chain plans combo formats in Plains States

To service its stores now concentrated in key geographical areas, Albertson's is both building and enlarging warehouses. This represents a strategic shift in policy for the company, which has largely depended upon outside wholesalers for distribution.

Blue and white company trucks now depart from Albertson's newest produce warehouses located in Brea, Calif., and San Antonio, Tex. The two join other major full-line distribution centers in southern California and Utah. The Boise, Idaho, facility was enlarged. (A meat processing center, also in Brea, closed last September in favor of a more economic alternative, an outside source of supply.)

Albertson's is actively living up to its advertising motto: "It's good to shop in a well-run store." With 35 stores slated for changeover to scanning in 1981 (31 stores became scanner operations in 1980), there will be that many more smiling store directors. ☐

Price wars take toll on SGC sales

BLUE RIBBON PERFORMER

When price wars heat up, even a strong operator like Supermarkets General Corp.'s Pathmark can get scorched. The company's sales for the year ended Jan. 31, 1981 barely kept pace with inflation and profits were disappointing.

SGC reported sales of $2.63 billion, up just 10.8% from fiscal 1979's $2.37 billion. The Pathmark division was responsible for 87% of that volume, which translates to $2.29 billion, an 11.2% increase over the $2.06 billion of a year ago.

Net earnings for the same period were $26.1 million for SGC, 11.1% more than 1979's $20.6 million. Pathmark, which accounted for 85% of that figure vs. 83% a year ago, contributed $22.19 million, which is 13.9% more than it made in 1979.

What's more, part of these earnings come from an insurance settlement. Fire destroyed the Pathmark division's general merchandise distribution center in Edison, N.J., in January 1979 (Rebuilt on the same site, it reopened in March 1980.) Insurance claims on property loss were settled in the third quarter and added $3.7 million to pretax earnings, or $2 million after taxes.

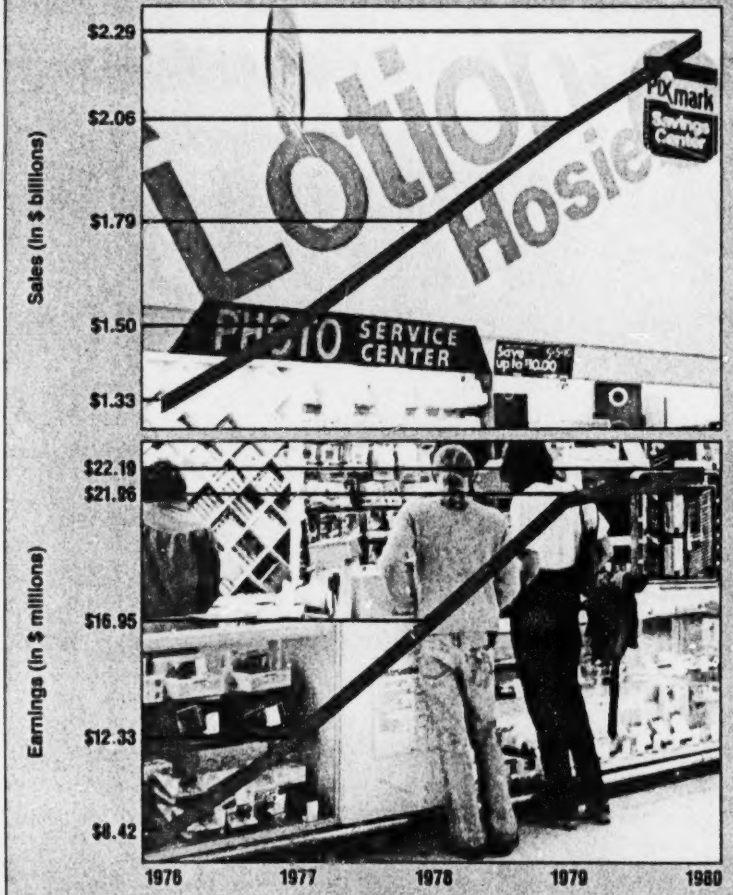
Subtracting 85% of that figure leaves $20.49 million in store-generated profits, compared to 1979's $19.47 million.

However, it should also be noted that the Woodbridge, N.J.-based company uses the LIFO method of accounting, and LIFO charges for fiscal 1980 were larger than for fiscal 1979.

The main reason for the dulling of the financial picture is heightened competition in Pathmark's selling area, particularly in northern New Jersey and metropolitan New York. In 1978 and 1979, the chain benefited from pullbacks by Food Fair and First National Stores, but in 1980 many of these shuttered units reopened under stronger management.

The retail environment in New Jersey became even tougher with the entry of many no-frills-type stores. Warehouse units like Samson's and Grand Union's BASICS Food Warehouse, along with box stores like A&P's Plus, have turned up the pressure.

Pathmark sales and earnings slow down*



*Does not reflect other SGC divisions.
Source: Estimates based on Company Annual Reports

Pathmark's tough response to no-frills rivals has spelled leaner profits for fiscal 1980

Pathmark responded to the challenge with a long-term "warehouse prices" promotion and double-couponing forays. This tough stance forced the chain to accept narrower margins than in the past, resulting in the reduced profit percentage.

Pathmark management remains committed to expansion. In 1980, the chain added three new Super Centers and one regular supermarket (40,000 sq. ft. by Pathmark's standards). There were 15 major renovations, nine of which enlarged existing stores into Super Centers.

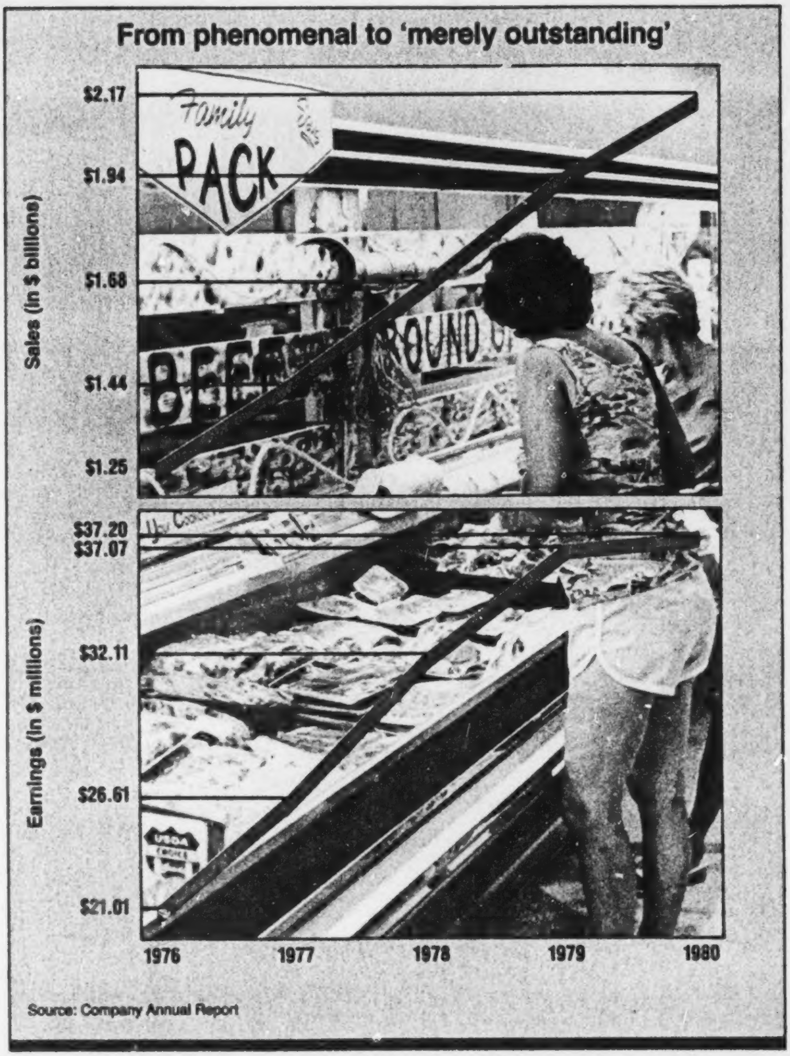
Five stores on which construction began in 1980 are scheduled to open in the first half of 1981. Five renovations and enlargements now under way will be completed in 1981.

Super Centers are an important part of Pathmark's future plans. About 30% of the chain's sales now come from the jumbo-sized units, which average about 50,000 sq. ft. and include 12,000 sq. ft. of general merchandise. Presently, there are 29 of the behemoths, and the new fiscal year's capital investment program is geared to increasing the percentage of sales from the Super Centers to 50% in 1981. □

Publix builds solidly for the future

Numbers were ordinary for this extraordinary firm, but there's method behind the mediocrity

BLUE RIBBON PERFORMER



Source: Company Annual Report

Sales just kept pace with inflation, earnings barely budged and net margins dropped 11.6%. Is Publix, the king of the Sunshine State, slowing down?

Hardly.

In its 50th anniversary year, the South's preeminent chain set a new sales record of $2.17 billion, up 11.7%, while earnings of $37 million were marginally better than the previous year. The company's net-to-sales ratio dropped to 1.72 from 1.92, or from phenomenal to merely outstanding.

While the company's sales and earnings gains were nothing to write home about, a peek below the surface indicates the company is busily stoking its competitive fire. And anyone who tries stealing a piece of Publix' market is apt to get burned.

"Our 1980 earnings were affected somewhat by our accelerated capital expansion program," states the company's annual report serenely. What this means is Publix is building like crazy.

Company officials are well aware that as the Florida competition gets hotter—it helped depress margins last year—economic efficiencies and higher productivity are musts.

During 1980 the chain began operating "the most modern dairy processing and manufacturing facility in the country" and added a 105,000-sq.-ft. frozen food warehouse to its Lakeland headquarters complex. It built a frozens distribution center in Miami and made additions to its perishables warehouse and offices.

At the retail level, Publix made a giant step forward toward more productivity by becoming totally scanner-equipped—the largest chain in the country to do so, with 244 stores on line.

The company opened 14 Publix supermarkets last year, all of them 36,000 sq. ft., and one 57,000-sq.-ft. Food World, the chain's discount market. The chain also opened 17 Danish Bakery outlets, bringing that total to 139.

That construction, combined with what the company termed record-high interest rates, sucked up a lot of cash. Publix spent $95 million last year for property, construction and equipment, an increase of 37% over 1979.

To finance that kind of capital outlay, Publix borrowed $25 million, almost tripling its long-term debt to $36 million, although its debt-to-equity ratio is still a very manageable 0.15-to-1. The company also spent $18 million cash, draining its reserve nearly 60%.

The kind of intense capital development is intended to keep Publix a step ahead of its competitors from an operations standpoint, a cushion that will allow the company to play hardball if margins get tighter, while still maintaining its legendary customer service.

Chain officials say the pace will not slow down next year, either. A new 200,000-sq.-ft. warehouse is on the drawing boards for Florida's west coast, and a 200,000-sq.-ft. addition is planned up north in Jacksonville.

The company expects to open 10 new supermarkets and bakeries in 1981 and complete a 20,000-sq.-ft. addition to its Lakeland bakery. ☐

Giant Food keeps the heat on

BLUE RIBBON PERFORMER

The war of Washington rolled into its second year in 1980, with opposing positions essentially unchanged: Giant Food is still the king of the Hill as well as Baltimore and northern Virginia where its 126 stores operate.

Giant's volume pushed ahead 19% to $1.48 billion from $1.24 billion, indicating that it has inched forward in market share. During the year the company opened six new supermarkets plus three additional Pants Corral clothing stores.

The company said the 53-week fiscal year for 1980-81 added about 2% to sales.

Giant's ongoing battle with Safeway, A&P, Grand Union and Pantry Pride was not without casualties. Earnings improved only 2.5% to $18.3 million from $17.9 million. And net-to-sales ratio slipped for the second consecutive year, falling to 1.23% from 1.44% in 1979 and 1.57% in 1978.

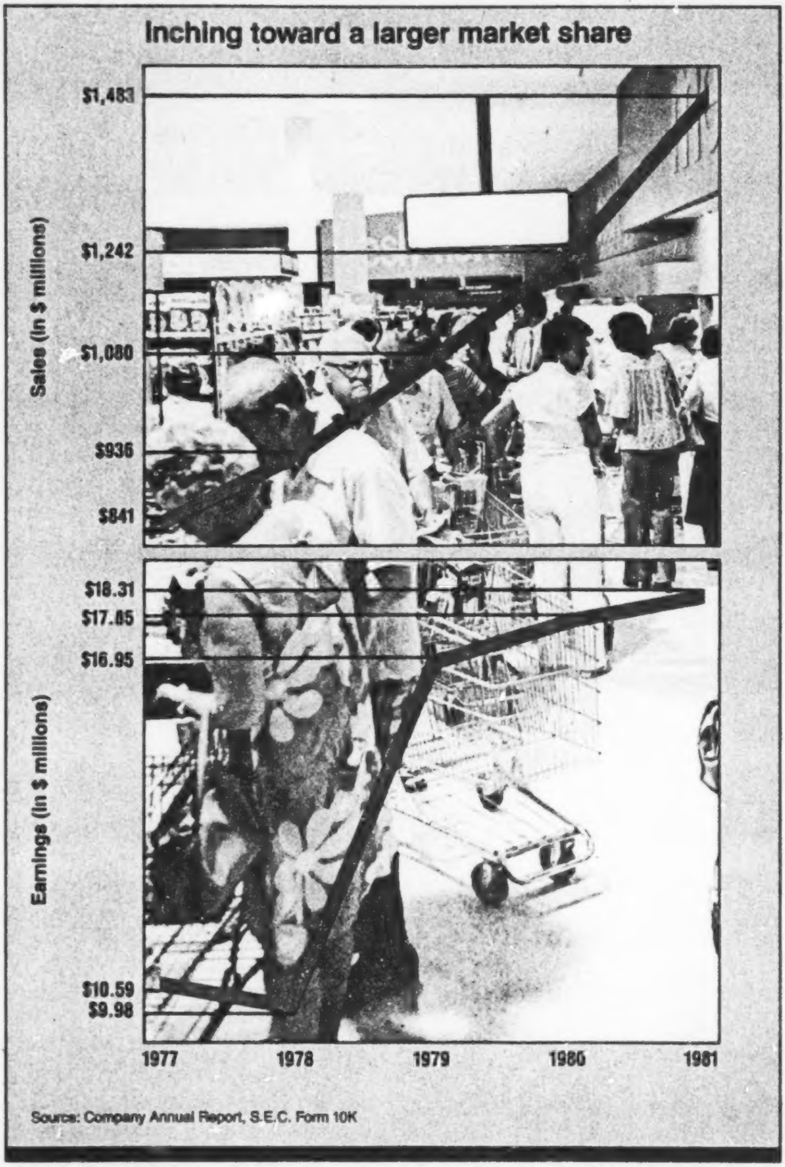
Giant created a lot of excitement in the marketplace last year with the introduction of four Warehouse Values test stores. The units carry about half of the chain's normal 12,000 sku's on specially designed warehouse racks but retain the traditional service areas in perishables and at the front end.

Company officials are considering converting all stores to this format, although warehouse units are still being labeled an experiment. The unit's lower cost structure, due to warehouse merchandising, elimination of item pricing and lower inventory costs, may make the company's mind up—if sales and consumer response remain positive.

Giant recently set off a consumer squabble when it extended price removal to all 126 stores, while at the same time instituting a warehouse pricing structure and dropping prices on more than 1,500 items.

Ironically, the chain chose to do this following a quarter in which its sales increased 23% (including the extra week), and net margins improved dramatically to 2.0%.

That figure is likely to suffer, Giant's executives say, as the result of the warehouse pricing, which escalated the price war in Washington and Baltimore.



Inching toward a larger market share

Source: Company Annual Report, S.E.C. Form 10K

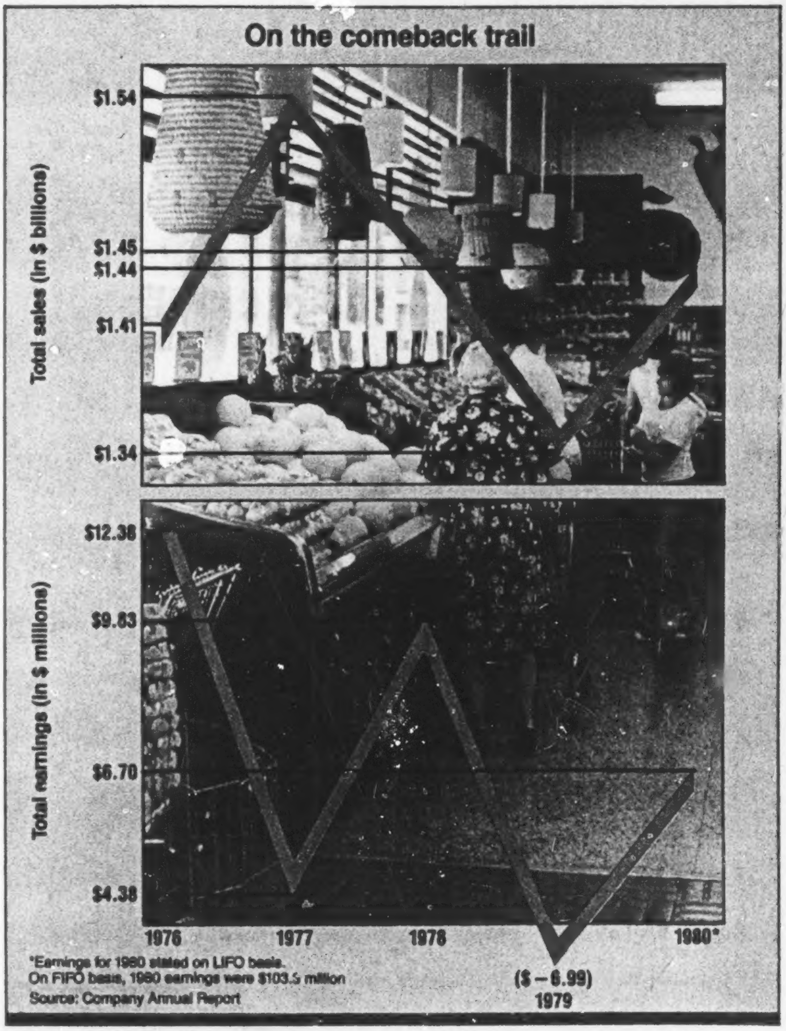
Someone may have to back off in Washington market war—but it isn't going to be Giant

Why would Giant want to throw fat on the fire? Simple. The company is by far the most automated of any in its market area, giving it the ability to tighten its belt just a little bit more than the competition.

Giant is also going to keep the heat on with its expansion plans. The company, which has sites stockpiled as a hedge against inflation, will open three new 46,850-sq.-ft. full-line superstores in the current fiscal year. Two major remodels are under way, and the company plans to add pharmacy departments to five existing food stores.

The new units will be modeled on the conventional Giant superstores, which normally register more than $300,000 in sales weekly. ☐

Fisher Foods emerges from the red



On the comeback trail

*Earnings for 1980 stated on LIFO basis.
On FIFO basis, 1980 earnings were $103.5 million
Source: Company Annual Report

Ohio warehouse store closings, expansion of Dominick's help reverse the tide

BLUE RIBBON PERFORMER

Fisher Foods staged the supermarket industry comeback of the year in fiscal 1980. Following a reorganization of top management, the company reversed a slide into the red by expanding the role of its successful Dominick's stores in Chicago while closing unprofitable warehouse stores in Ohio.

Sales were up $76 million in fiscal 1980, reaching $1.4 billion. The sales rise of 5.7% was outdistanced by the inflation rate, but it represents a dramatic reversal from two years of declining figures. Net earnings were $6.7 million, which put the company in the black after losses in fiscal 1979.

The two fiscal years preceding 1980 were not bright ones for Fisher. In fiscal 1978 sales dropped 5.5%, and earnings fell $1.9 million. In fiscal 1979 the downward trend accelerated. Sales plummeted another 7.9%, sending the company's net earnings nearly $7 million into the red, though some of that loss can be attributed to a switch to LIFO accounting.

The brakes were apparently applied to the slide in May 1979. John Fazio, then chairman and ceo—and the man reportedly behind Fisher's ill-fated warehouse store venture—was replaced.

Taking over was the management triumvirate of his brother Carl Fazio, as chief executive in charge of the Ohio Fazio's chain: Dominick DiMatteo, as president overseeing the Dominick's stores, and Robert Everett, as vice chairman responsible for financial and administrative matters.

By the end of fiscal 1980 they were able to present their stockholders with a different, and far brighter, economic picture.

The debt-to-equity ratio fell from 1.51 to 1 in fiscal 1979 to 1.31 to 1 in fiscal 1980. The company was able to finance its new stores and store remodeling entirely from internally generated funds.

Why the turnaround? In addition to the management reshuffle, Fisher cut capital expenditures from $30.3 million in fiscal 1979 to $26.6 million in fiscal 1980. And most of the 1980 capital expenditures went toward financing the building of four new Dominick's stores and the closing of three old ones in suburban Chicago.

More importantly, however, in fiscal 1980 Fisher neared completion of its $11 million program to eliminate its 21 unprofitable warehouse stores in Ohio. Fifteen were sold, four were closed; two remain to be phased out this year.

Other factors contributing to Fisher's revival under its new leadership include cuts in expenses despite rising costs, increased emphasis on management training, the remodeling of 15 Fazio's in Ohio and an additional income of $3.6 million from investments, rentals and disposal of assets.

Currently, Fisher operates 140 stores, 72 in the Greater Chicago Area (five of which are newly opened "$ave-It" discount stores) and 68 in Ohio. Thirty-two of the stores have scanning, with 18 conversions planned for this year.

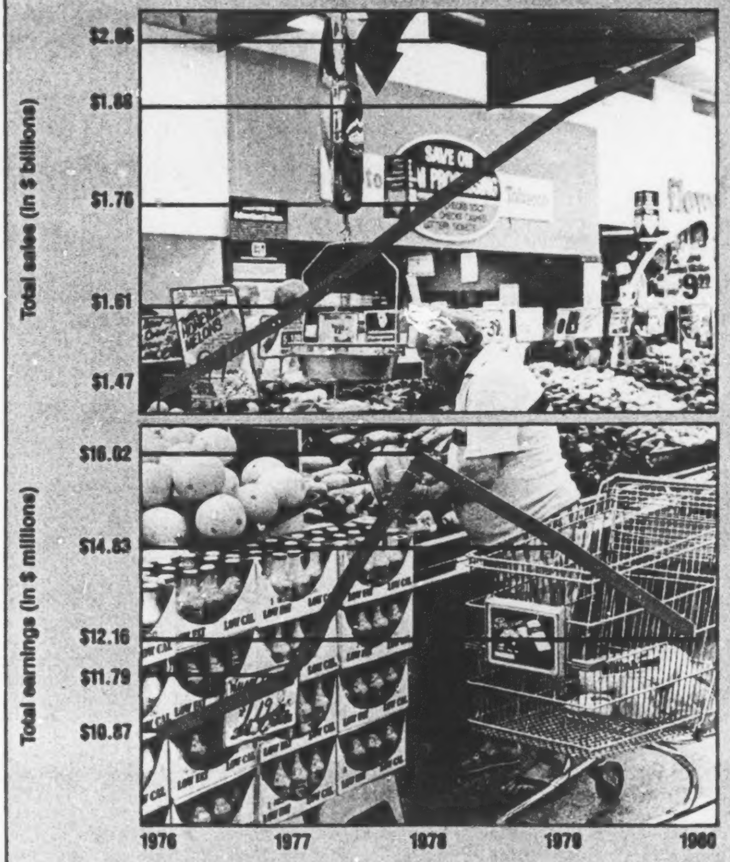
Looming somewhat ominously over the company's resurgence, however, is a Federal class action suit charging Fisher and two other supermarket chains with price-fixing. Fisher denies the charges. ☐

Stop & Shop begins the turnaround

Performance shows dramatic progress as changes in executive team take effect

BLUE RIBBON PERFORMER

Economy dampens overall picture



Source: Company Annual Report

The Stop & Shop Companies' tough effort to halt the skid of its supermarket operation got off to a successful start in fiscal 1980. Overall sales reached $2.06 billion, of which the supermarket division contributed $1.29 billion. Although this 5.5% rise represents a loss in real dollars, it was an improvement over 1979's 4.3% gain, and a substantial upswing was reported in contribution to operating profit.

Total operations earned only $12.2 million, a dip of 18.6% from the previous year. However, the Supermarkets Co. accounted for 45.2% of operating profit, after contributing only 5.5% a year ago.

To an extent, the supers have changed roles with the parent company's general merchandise division, which encompasses Bradlees Department Stores, Medi-Mart Drug Stores, Off the Rax Women's Specialty Stores and C. B. Perkins Tobacco Shops. In 1979, it helped buoy the foundering supers, while in 1980, with Bradlees suffering a half-year slump, the supermarkets offset the sluggish performance by the general merchandise outlets.

Indeed, operating profit contributed by the supers hit $16.26 million, an amazing 823.4% improvement over 1979's dismal $1.76 million.

Several factors sparked the dramatic performance change, but much of the credit must go to the new management team. Lewis G. Schaeneman Jr. took over as president of the food chain in January 1980 and has since made a number of changes in top-level management, as well as shifting a good many middle-level employees. In addition, Stop & Shop has created a training group to ensure that the right individuals are matched with the right jobs throughout the company.

Schaeneman has also made some alterations in the buying structure that appear to be paying off. Grocery, produce, meat, floral, deli and general merchandise are the areas in which the new regime has done the most.

General merchandise is now playing a more important role at Stop & Shop than it has in the past. The chain introduced a program in 1980 to integrate GM into existing stores wherever practical.

A major innovation on the horizon is combo units. The first Stop & Shop/Medi-mart store is scheduled to open by late 1981 or early 1982. Originally, it was due to bow in early this year, but company officials blame the delay on "scarcity of locations."

Competition seesawed for Stop & Shop in 1980. The chain was able to gain some breathing space in normally sharp Boston division because of the folding of 52 First National units. Although some of these stores have already reopened under new management—and undoubtedly more will do so this year—the shutterings were helpful, particularly in the third quarter.

New Jersey and Connecticut stores, however, suffered through one of the hottest competitive years ever, facing double- and triple-couponing, warehouse stores and toughened conventional rivals.

"Honest Values Are What Stop & Shop Is All About" and "The Difference in Supermarkets" promotions, as well as a "Price Accuracy Guarantee" program, worked to keep the chain in the running. ☐

Waldbaum's: big gains on home turf

Shrewd management has steered chain to record earnings despite deadly price wars

BLUE RIBBON PERFORMER

While most of its rivals were tightening their purse strings during capital-hungry 1980, Waldbaum Inc. dug deep into its pockets to help finance a bold, $29 million expansion. The gamble paid off—in spades.

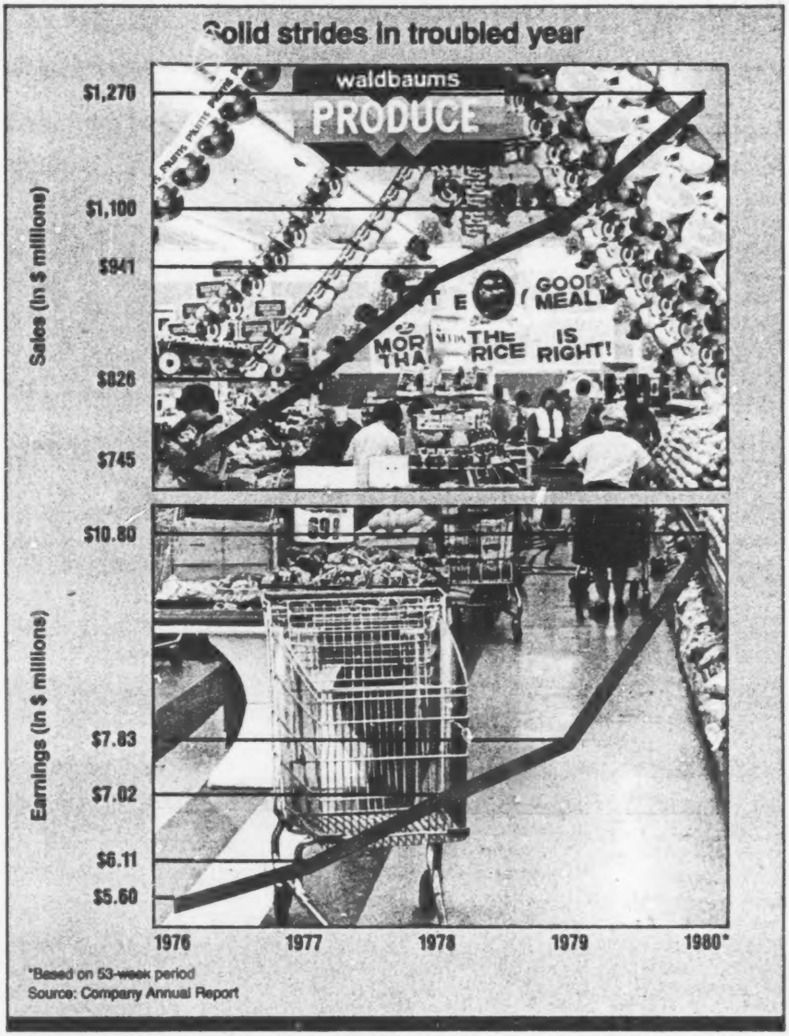
The Central Islip, N.Y., chain's sales climbed 13% to $1.27 billion, and net income jumped a record-setting 38% to $10.8 million. Net-to-sales increased 20% to 0.85%, a remarkable feat in a trading region scarred by profit-draining price wars and spiraling operating costs.

What's its secret? Replacing seven white elephants with nine high-volume superstores boosted average unit sales past the $9 million mark, a lofty figure even for the densely populated New York market. But its real ace in the hole is a cost-conscious management, which illustrated an enviable knack for paring operating expenses.

"For its size, it's one of the best financially run chains in the country," says a leading Wall Street retail analyst, who has been tracking Waldbaum's progress for years. "Ira Waldbaum [president] watches his stores and his bucks with rapt attention."

The chain, operating in New York and parts of neighboring Connecticut and Massachusetts—the latter being its 35-store Food Mart division—has carved itself a comfortable niche with conventional supermarkets offering standard lines of food. While the company has deliberately avoided the trend toward expanded lines of general merchandise, the stores themselves are getting larger, falling in the 30,000-sq.-ft. range. That's a must, if the company doesn't want to give up any ground—or customers—to lumbering competitors such as Pathmark and Foodtown.

At the outset of its 1980 fiscal year, Waldbaum's looked like it was in for some rough days. First-quarter sales kept pace with inflation, but the sharp edge of double-couponing and sale-hungry shoppers cut into profits. Over the next six months, business improved considerably as the chain concentrated on shaving expenses and hiking volume. Then came the extraordinary fourth quarter: Net income zoomed nearly 70% over the same year-earlier period, almost equaling the profits racked up during the first three quarters combined.



Solid strides in troubled year

*Based on 53-week period
Source: Company Annual Report

"It was an incredible finale," says a Waldbaum executive, who's convinced the momentum will carry through 1981. But so far the current year looks like a carbon copy of '80; sales are steady and earnings are suffering, thanks to newly sparked price wars.

Moreover, management admits the rifle-shot construction boom may come to a skidding halt. Money is no problem; the company actually increased its working capital last year to over $15 million, and its balance sheet is as strong as ever. There just aren't too many store sites left in its already overstored region.

What all this means is that Waldbaum's isn't likely to beat the pants off its formidable competitors—not this year, anyway. But considering how well it's positioned itself on its home turf, there's a host of similar medium-sized chains that would swap places with Waldbaum's in an instant. ☐

CSA Survey:

N. Orleans: one-

Low everyday prices and an outstanding assortment of general merchandise and health & beauty aids are the key factors that make Schwegmann Bros. the first-choice supermarket of shoppers in the New Orleans, La., market area. The reknowned local retailer, which fields 10 superstores with average annual sales of $10 million, proves to be the chain at which 46.3% of the participants in the latest installment of the *Chain Store Age Supermarkets* Consumer Attitude Study do the bulk of their weekly food marketing.

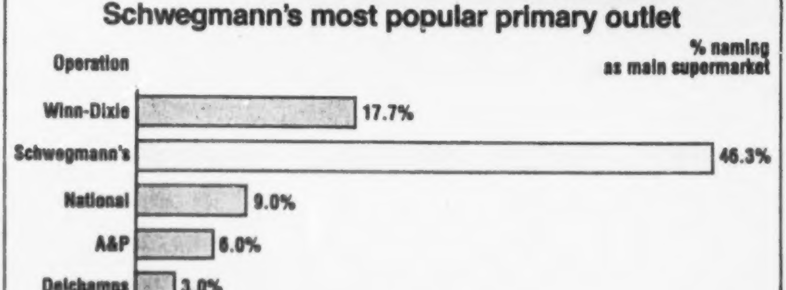
Although Schwegmann's actually places slightly behind front-runner Winn-Dixie in overall customer satisfaction, the chain's strong position in nonfoods is evidently a decisive factor in a territory in which roughly 2 out of 3 consumers are ardently devoted to the one-stop-shopping concept.

Schwegmann's is clearly the area's most popular food retailer—the selection of almost three times as many Delta City residents as second-place Winn-Dixie—despite the fact that it received two of its lowest consumer ratings for its meat and produce departments. These are prime concerns of local shoppers. Nearly 60% rate each of these perishables sections "extremely important" when it comes to picking a super, yet Schwegmann's clearly leads the market despite managing no better than a fourth-place finish in meat and a tie for third in produce.

Everyday low pricing is the third-ranked criterion, and here, as already mentioned, Schwegmann's shines. Slightly more than half of the survey participants believe a low-price image is "extremely important" in determining where they'll spend most of their food budget.

Interestingly, hot specials don't have anywhere near the clout in New Orleans that they wield in many other major markets. Just 22.7% consider ad specials "extremely important," putting the impact of specials far below such other operational areas as fast checkout (35.0%), store cleanliness (42.7%) and convenient location (41.0%).

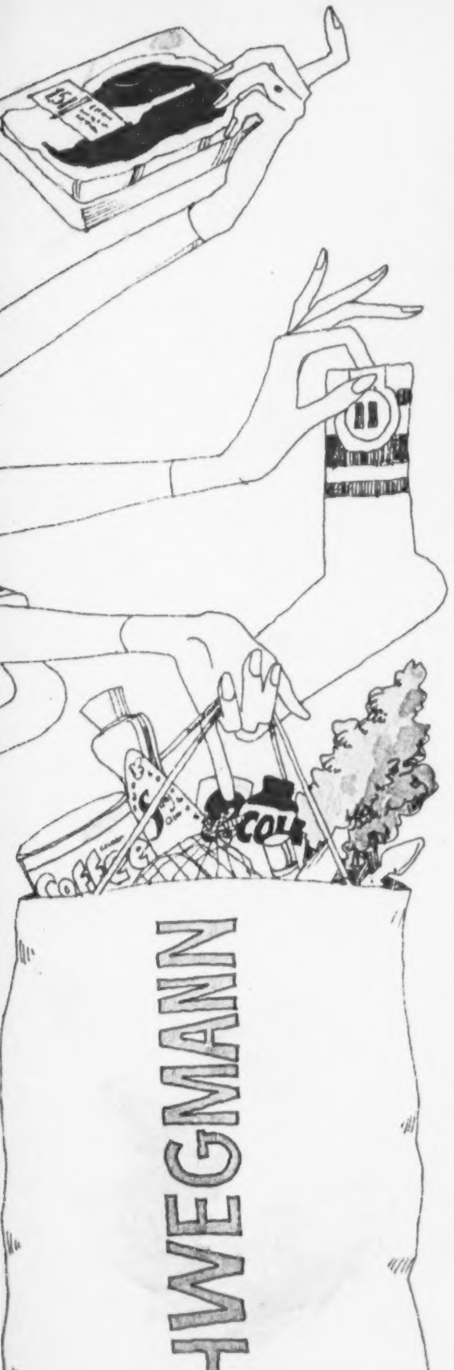
Shampoo
SHOPPING LIST



Schwegmann's most popular primary outlet

Source: Lebhar-Friedman Research

stop-shopping town



Perishables, prices are top draws

	Extremely important	Very important	Somewhat important	Not too important	Not at all important	No answer
Fast checkout	35.0%	36.0%	19.3%	7.3%	2.0%	0.4%
Helpful workers	26.0	31.7	26.3	11.7	4.0	0.3
Clean stores	42.7	44.7	11.0	1.3	—	0.3
Convenient location	41.0	42.3	11.7	3.7	1.0	0.3
Low everyday prices	50.7	32.7	13.3	1.7	1.3	0.3
Ad specials	22.7	34.7	26.0	9.3	6.3	1.0
Variety & quality of private label	21.3	36.7	23.3	12.0	6.0	0.7
Variety & quality of national brands	28.3	32.7	26.3	8.3	3.3	0.9
Variety & quality of generics	11.0	16.0	23.0	22.0	27.7	0.3
Quality meat	57.3	33.7	5.7	0.3	2.7	0.3
Quality produce	56.7	34.3	6.3	1.3	1.0	0.4
Wide selection of general merchandise	27.3	36.0	20.0	11.7	4.3	0.7
Wide selection of H&BA	11.3	17.7	27.0	26.7	17.0	0.3

Source: Lebhar-Friedman Research

Because of its low-price stance, Schwegmann's greatest appeal is among those earning less than $15,000 annually, 51.1% of whom call Schwegmann's their favorite store. Those over 55, presumably including many folks on fixed incomes, also tend to market there.

Second-place Winn-Dixie comfortably outdistances the rest of its supermarket rivals in New Orleans. The market segment that does the bulk of shopping there, 17.7% of the sample, is about double that claimed by third-place National.

Although the Jacksonville, Fla.-based food retailing power rates tops in only 1 of 13 categories, it is right up there with the front-runners in everything except the quality and variety of its private label. The chain came in second in eight other vital categories: fast checkout, convenient location, ad specials, variety and quality of national brands, meat, produce, general merchandise and H&BA. So although Winn-Dixie seldom sets the pace, it performs very well by minimizing any elements of its operation that might possibly turn off patrons.

In terms of demographics, Winn-Dixie enjoys relatively high popularity among men (21.7%), singles (21.7%) and those with a high school education or less (21.8%). The chain's units have significantly less appeal to those under 35 (15.5%) and shoppers who have a college education (11.0%).

If there is going to be any long-term change in market share, National shapes up as one of the chains

Behind the study

This month Chain Store Age Supermarkets *presents the third installment of a six-part study delving into consumer attitudes. Subsequent studies will take the pulse of shoppers in Minneapolis, Chicago and St. Louis.*

Each study is based on hundreds of telephone interviews conducted by Lebhar-Friedman Research, with this magazine's own research arm furnishing supplementary analysis of the extensive data generated by this examination into what shoppers are thinking and feeling.

most likely to challenge the two present kingpins. Although only 9% of the total sample select National as their principal supermarket, it enjoys a higher level of popularity among those under 35 (15.5%), the college-trained (13.4%) and consumers with annual incomes exceeding $30,000 (13.6%).

The traffic-pullers at National are fast checkout, clean stores, hot ad specials and a great selection of branded merchandise.

Delchamps may ultimately prove to be the sleeping giant of the city, if the chain can cure some of the faults that mar its otherwise excellent image in the eyes of New Orleans shoppers. The retailer placed first in five separate measures—the best showing of any chain in this market—but also stumbled home last in three areas, tied for last in one and next-to-last in two more.

Delchamps' task over the next couple of years will be to improve the store-level work force, sharpen up its advertising and improve its array of national brands while maintaining its excellence in meat, private label, produce, generics and the convenience of its stores' locations.

In the short run, Delchamps can probably look forward to narrowing the popularity gap between it and fourth-place A&P. Although the Tea Company has an overall 2-to-1 lead, its margin is much, much narrower among better-educated and younger consumers. ☐

Delchamps first in five categories

Ranking in order of shopper satisfaction

	Winn-Dixie	Schwegmann's	National	A&P	Delchamps
Fast checkout	2	3	1	4	5
Helpful workers	1	2	4	3	5
Cleanliness	3	2	1	5	4
Convenient location	2	4	3	5	1
Low everyday prices	3	1	5	4	2
Ad specials	2*	2*	1	4*	4*
Variety & quality of private label	4	3	2	5	1
Variety & quality of national brands	2	3	1	5	4
Variety & quality of generics	4	3	5	2	1
Quality meat	2	4	3	5	1
Quality produce	2	3*	3*	5	1
Wide selection of general merchandise	2	1	4	5	3
Wide selection of H&BA	2	1	3	4	5

*Indicates a tie

Source: Lebhar-Friedman Research

What keeps New Orleans shoppers loyal?

One of the few things New Orleans' highly individualistic corps of supermarket operators share, apparently, is a devotion to the philosophy of peaceful coexistence. Other market areas have erupted in brutal price wars, but the Delta City has remained remarkably free of such retailing strife.

How does New Orleans remain unscathed by profit-killers like triple-couponing and "triple the difference" price comparison promotions? Although the city has its fair share of aggressive grocery marketers, the general policy has been to concede price leadership to Schwegmann's, with each operation concentrating on satisfying a particular segment of the market.

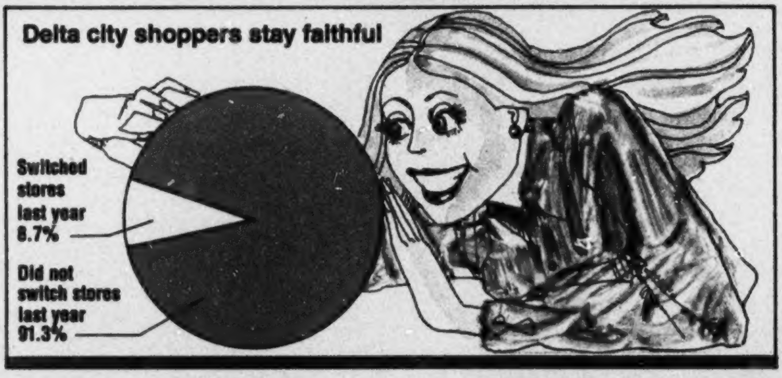
This has quite a positive effect on store loyalty. According to the *CSA* Consumer Attitude Study, the typical New Orleans shopper is less apt to change favorite supermarkets than are counterparts in almost any other major market in the country. Last year, less than 10% of the city's consumers switched to a different chain as their primary food shopping outlet, despite the fact that a majority of New Orleans consumers report that they've given each of the region's five biggest operations at least a try.

Breaking down the survey sample demographically discloses quite a lot of variation in the degree of shopper loyalty. Only 4.2% of over-55 shoppers selected a new favorite supermarket last year, presumably because they have established patronage habits over a period of years—even decades—that they aren't going to suddenly break. Similarly, those with a high school education or less and male shoppers generally are content to do their marketing with the same retailer year after year.

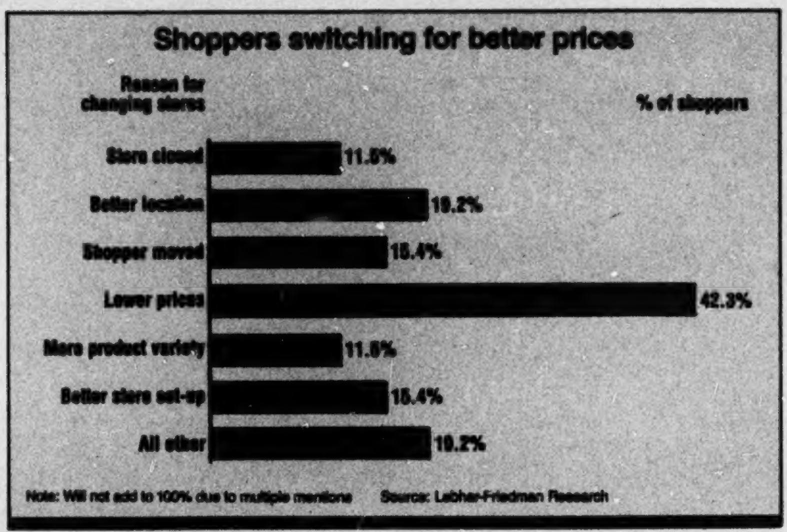
On the other hand, younger consumers, those under 35 years of age, show a somewhat greater propensity for moving their business around.

Convenience is the main reason given by 46% of store switchers for picking a new first-choice super-

Delta city shoppers stay faithful

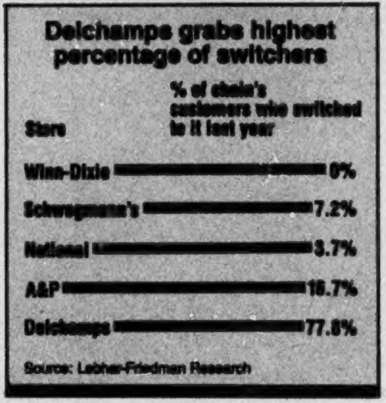


CSA Survey: New Orleans



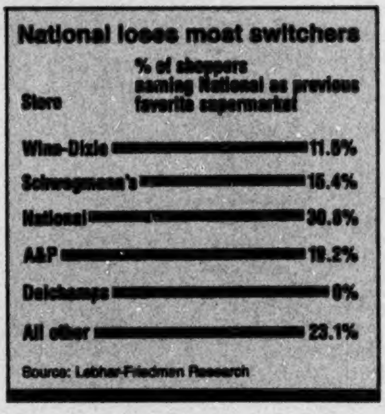
Shoppers switching for better prices

Note: Will not add to 100% due to multiple mentions Source: Lebhar-Friedman Research



Delchamps grabs highest percentage of switchers

Source: Lebhar-Friedman Research



National loses most switchers

Source: Lebhar-Friedman Research

market this year. This sorts out as follows: 11.5% report that their previous store closed, 19.2% found one with a better location and 15.4% relocated their homes at a considerable distance from the supermarket at which they previously purchased most of their grocery needs.

To put the importance of convenient location in perspective, the typical Delta City consumer does the weekly marketing fairly close to home. Over 35% travel less than one-half mile to their primary super, and a majority are within a mile of their first choice. Significantly, 39.3% of the survey participants report that they regularly shop at the closest super, while another 25.3% pass only one chain outlet on the route to the one at which they actually shop.

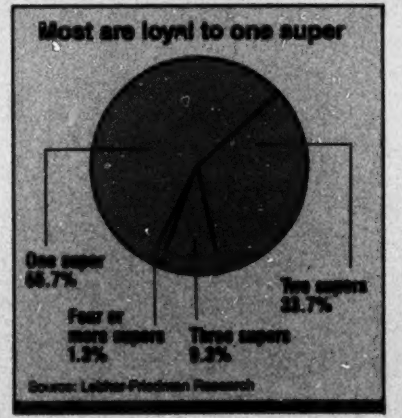
The next most prevalent reason for picking a new favorite store is the lure of lower prices, cited by 42.3% of switchers. Two out of three male switchers and three out of four of those over 55 years of age cite price as the main reason for their change. Price turns out to be the decisive factor more frequently among those with annual earnings of $30,000 and up than for either the low- or middle-income groups, suggesting that the affluent actually watch their money more closely than do folks who would seem to have a more pressing need to do so.

Delchamps, a comparative newcomer to the region, is the chain benefiting the most from local store switching, as low-level as it is. The universe of the chain-switcher is predominantly composed of patrons who shopped it regularly for the first time in the last 12 months. National endured the greatest exodus, with three out of 10 store-switchers citing the Loblaw division as previous favorite. Independents and local chains also suffered, contributing 23.1% of the switchers. ☐

Big spenders: a powerful market factor

New Orleans shoppers trek down to their local supermarket a little less frequently than folks in some other cities and, consequently, run up a much larger-than-average tab on their principal food marketing day.

Typically, residents make 1.1 shopping trips each week. Only about one in five divides her major marketing into two or more trips to the store each week. Slightly less than 22% have their food shopping situation so well in hand that they actually visit their favorite super less frequently than once every seven days.



Most are loyal to one super

Source: Lebhar-Friedman Research

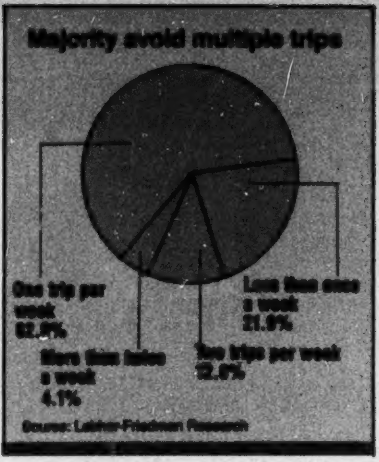
Even though, as previously mentioned, the majority of New Orleans shoppers do their marketing close to where they live, the high cost of gasoline has led some to cut back on supermarketing excursions. Although nearly 7 out of 10 haven't appreciably altered their habits in this regard, 14.7% shop more often, and 16.3% go less often today than they did in the previous year.

On average, a Delta City consumer will spend $82.20 during the course of the main marketing trip to the food store. Supplementary shopping for fill-ins and perishable products puts another $15.80 per patron into supermarket cash registers each week. As would be expected, in view of 1980's double-digit inflation, the overwhelming majority of those who participated in the latest *CSA* Consumer Attitude Study report they are spending more for food eaten in the home now than they were in 1980.

The apple of just about every grocer's eye—the so-called "big spender" segment of the market—is very important in the world of New Orleans food retailing. Almost 3 out of every 10 consumers spend $100 or more on the principal shopping day in their favorite super.

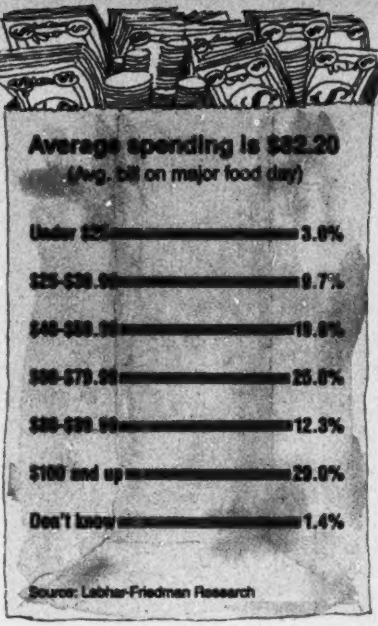
And which are the biggest volume days? Friday and Saturday are the big show here, each the choice of 18.0% of area residents. Thursdays run a close third, accounting for 14.3% of the weekly traffic count. More people do their marketing on either Friday or Saturday than on Monday, Tuesday and Wednesday combined.

It must be mentioned, however, that it is difficult—if not actually impossible—to chart a definitive shopping pattern for this market. Three shoppers out of 10 claim to have no particular favorite shopping day, instead popping into their favorite food store on any day that happens to work out best in a given week.



Source: Lebhar-Friedman Research

Delta City residents are inveterate morning marketers. Over 40% shop before noon, and another 30% visit the supermarket between 12 and 5 p.m. Evening shopping between 5 and 10 p.m. is favored by just 16.3%, although 1 out of every 4 who hold down a job prefers this time of day. ☐



Source: Lebhar-Friedman Research

Shopping lists guide most decisions

New Orleans consumers display a propensity for what might be called "defensive shopping." They're far more likely to prepare for a trip to the supermarket by making out a shopping list to curb unnecessary additional purchases than they are to search out hot specials and cents-off coupons.

Delchamps and Schwegmann's are meccas for the list-makers. Two out of three Delchamps patrons come to the store armed with a list, and 64.7% of Schwegmann's customers do the same. By contrast, those New Orleans residents who do most of their marketing at A&P are less likely to prepare a list.

The popularity of specials and coupons, which finished in a virtual dead heat for second place, mirrors the fact that three out of every four respondents to the survey depend on newspapers to a greater degree as the principal conduit of shopping information than they do on any other medium. Although only one-third of those polled by Lebhar-Friedman Research always or frequently monitor broadcast supermarket advertisements, 56.6% indicate that they always or frequently scan the food pages of their daily newspaper.

Bonus coupons are still a rather new phenomenon in the New Orleans market. They don't yet spark burning interest among area consumers, but this is rapidly changing. Of those who regularly keep an eye peeled for extra-value coupons, a whopping 39.5% have begun the practice within the last 12 months.

Of the 27.8% who presently note supermarket promotions on radio and television, approximately one-third began doing so for the first time during 1980.

Broadcasting has made especially significant inroads among shoppers under 35 years of age. Only about one-third of these younger shoppers always or frequently watch and listen for broadcast promotions, but over 40% of those who do started the practice within the last year.

TV and radio have not proven as potent a weapon for chains targeting affluent shoppers as for operators courting the lower end of the economic spectrum. A little less than 17% of those with annual family incomes over $30,000 receive their food marketing information electronically in New Orleans. However, one-third of the high-income shoppers who do notice broadcast campaigns initiated this habit in 1980. ☐

—Arnie Katz

Most are armed with shopping lists

Activity	Always (4) %	Frequently (3) %	Sometimes (2) %	Never (1) %	Mean Avg.
Make shopping list	57.7	4.7	16.0	21.6	2.98
Check newspaper store ads	46.3	10.3	20.0	23.4	2.80
Clip manufacturers' coupons	46.0	11.0	21.0	22.0	2.83
Note radio and TV store ads	23.7	10.0	26.3	40.0	2.17
Note stores offering bonus coupons	18.7	6.3	16.7	58.3	1.85

Source: Lebhar-Friedman Research

Take a Number Please.
Bakery

Mix of service and self-service allows retailers to cut labor costs while offering shoppers both convenience and the "personal touch."

New slant on fresh bakery

In-store bakeries are quietly undergoing a metamorphosis. Traditionally a service-oriented operation, they are increasingly merchandising fresh baked goods on a self-service basis.

In-store bakeries were once thought of purely as a "necessary evil," taking up space to create more traffic. "Certainly you have other departments that are more profitable, but in-store bakeries are expected to at least pay their way now," says Carroll Brown, vice president of bakery and deli for Dallas-based Tom Thumb. The growth of a self-service orientation is a reflection of that desire, though its impact on actual sales is still to be determined.

On the average, in-store bakeries represent 4%-8% of a store's volume and a much smaller slice of profits. But there's no arguing that they've become a growing force within the industry, with a greater impact than numbers alone reveal.

In 1980, supers installed 1,400 in-store bakery units. Average annual sales were $220,000. Total market volume went from $1.5 billion in 1979 to over $2 billion in 1980, and this year total sales are expected to top $2.5 billion. As the volume generated by in-stores continues to climb, the shift to self-service, increasingly evident over the last two or three years, takes on added significance.

Growth of self-service reflects supers' desire to make in-store shops 'pay their way'

The 51-store Dallas arm of the Tom Thumb chain is typical. "Over the last two and a half years our in-store bakeries have become 50-50, service to self-service. Before that, we were about 65%, maybe 70%, service," says Brown.

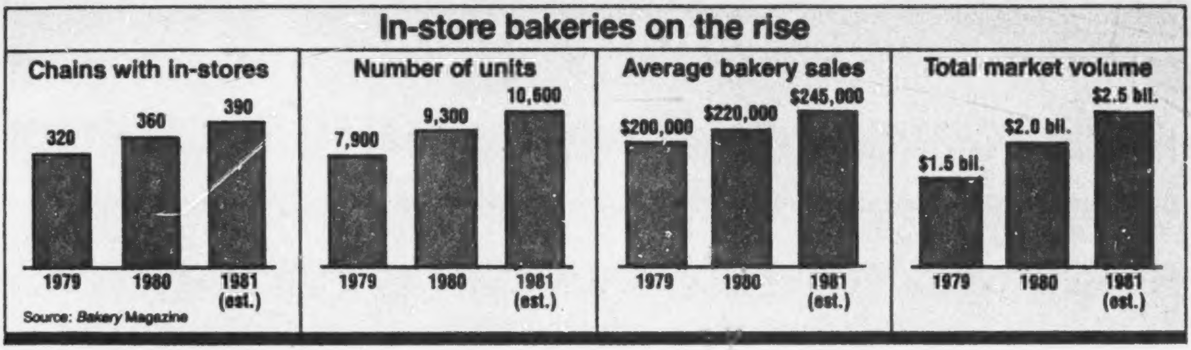
More pointedly, the 77-store Kohl's chain in Milwaukee, Wis., with in-store bakeries in all units, symbolizes retailers' changing attitudes. "This city has a varied ethnic makeup that demands service. Despite that fact, self-service in our bakeries has grown from 15% to 25%," says Marvin Letow, vice president of bakery operations.

"They [supermarkets] have definitively gone more and more into self-service in the last few years," sums up Robert M. Eller, director of sales at Kansas City-based Interstate Brands Corp.

Why the change? "The reason is simple," says one supermarket executive. "You save money by not having to put a person behind the counter."

Officials close to bakery operations, like Bob Allen, in charge of sales and promotion for bakery supplier J. W. Allen, admit, "It's hard to quantify the amount of money you save to sacrifice personal service."

But Tom Thumb's Brown estimates that in his stores, which have


In-store bakeries on the rise

Chains with in-stores

Number of units

Average bakery sales

Total market volume

Source: *Bakery Magazine*

switched to a 50-50 mix, he's been able to cut 40-125 hours a week out of the work schedule. Based on typical supermarket wages, that's a savings of $200-$1,000 per week per unit.

Eliminating behind-the-counter help can have another advantage, says a supermarket manager. "You can't get an obnoxious answer from something in a package."

And retailers say self-service promotes the movement of breads and rolls without cutting into the sale of the more lucrative specialty cake business.

The actual dollar savings on the move to self-service are as yet unclear, but Mark Hollis, a spokesman for Florida-based Publix Super Markets, concludes, "Any time you have self-service instead of service you're going to save money."

Pro-service: Though self-service is growing—by many estimates it now accounts for over half of bakery sales—service still has a strong attraction to many chains.

"If you want your supermarket to portray a friendly atmosphere, you need the contact, which you can only get from service," adds Bob Sheltrown, director of supermarket operations for J. W. Allen. "And while there is obviously a labor factor, it's not as great as one would think because there are considerable costs in packaging."

"You sell a lot more items with that personal touch," says another industry observer. "Supermarkets have been successful in generating more business by filling the void created by the neighborhood scratch baker going out of business because of the economy."

Winning combination: Luckily for retailers, it's not an all-or-nothing proposition. Far from it. In fact, the across-the-board consensus is that the key to a successful in-store bakery is a mix of service and self-service.

"By offering a combination you save money on labor, and you're still able to offer the customer what she wants," explains Bob Horner, deli-bakery manager for the Food Marketing Corporation, wholesaler for Super Valu Stores.

How much to emphasize self-service is something of a regional question. Retailers report that in the South and West, where labor is cheaper and lifestyles are more leisurely, self-service has greater limitations. In the East, where labor is expensive, convenience is prized and a certain depersonalization is the rule, self-service is growing more rapidly.

The other dilemma facing retailers is making the in-store bakery reflect the image they want to portray. An operation like Pathmark, with its emphasis on low prices and efficient shopping, has been very successful with an almost total self-service approach.

New York-based Waldbaum's, on the other hand, goes out of its way to cater to its shoppers and has stayed largely with a service operation.

"Which way you go depends on fulfilling the needs of as many customers as you can while creating the image of the type of store you want," says J. W. Allen's Sheltrown.

While its impact remains unclear, self-service is unquestionably helping to transform in-store bakeries into something more than "necessary evils." ☐

SPECIAL!
Italian BREAD
3 for 99¢

Shoppers give nod to self-serve fresh

Fueling the growth of self-service merchandising of fresh baked items in in-store bakeries is what many retailers say is a suprising amount of consumer acceptance.

"Once they're convinced they're getting the same freshness and quality product out of the case with an ease and quickness you just can't find at a counter, customers find self-service very acceptable," claims a spokesman for Publix.

One store manager comments, "I found that people in a grocery store don't feel all that comfortable about having the whole world know what they're going to buy. Often, after waiting at the deli they don't always feel like waiting at the bakery, so they appreciate the convenience of picking up a few things without any hassle."

Most retailers agree that the secret to making a self-service section successful is freshness by association: locate the self-service items within sight of the ovens and the smell of hot breads. Then, in the words of one baker, "Stack 'em high and watch 'em fly."

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Chain Store Age
Supermarkets
THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES
July 1981

1981 SALES MANUAL

SUPERMARKETS DESIGN TOMORROW'S MIX

Bisquick
QUICK BAKING MIX
PLANTERS
nuts
Del Monte
QUALITY
UNSWEETENED
GRAPEFRUIT JUICE
100% JUICE
MARGARINE
clairol
herbal
essence
FLOUR
Salisbury Steak
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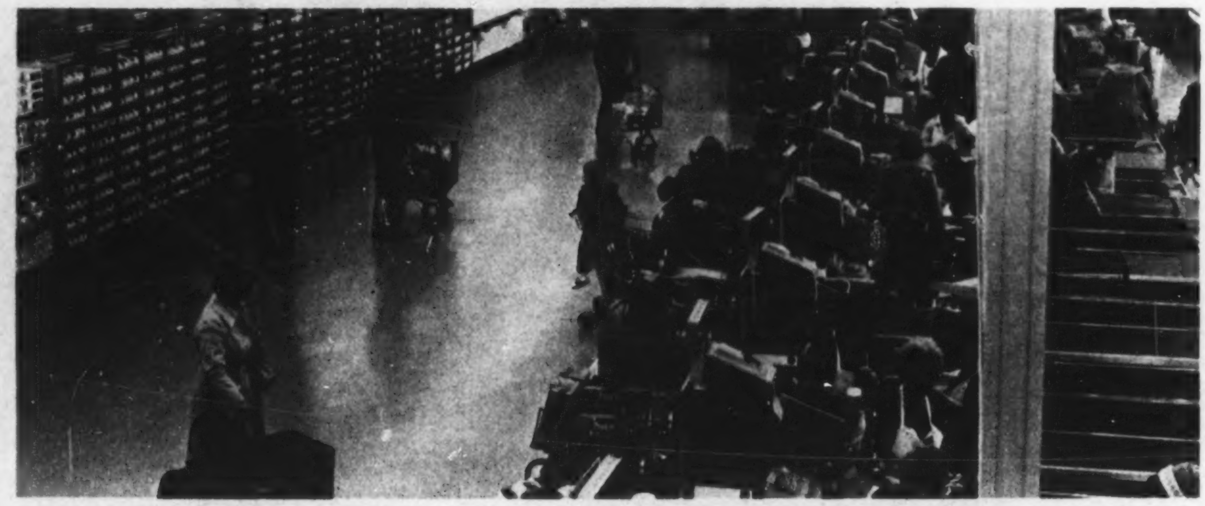
July 1981



1981 SUPERMARKET SALES MANUAL

On the Cover

CSA examines the ways in which retailers are using advanced technology to develop new store formats, merchandising strategies and product mix to cope with the decade ahead 21

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An analysis of the product performance of 36 supermarket categories, in terms of dollar volume, unit movement, gross margins, sales and profit contribution—supplemented with five-year sales trends for key product lines.

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EXPRESS CHECKOUT

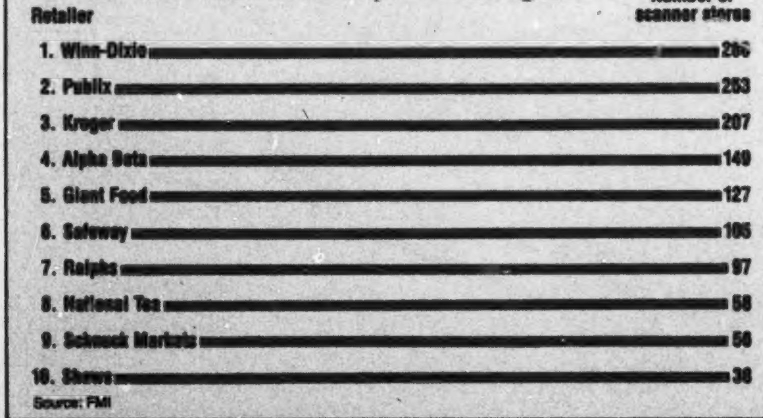
Nearly 3,500 stores now have scanners

If retailers maintain their current pace of installation, one out of every 10 supermarkets will have scanning registers by the end of this year. According to the latest statistics compiled by the Food Marketing Institute, 385 supermarkets swelled the ranks of scanner-equipped stores during the first three months of this year, bringing the total number of scanner set-ups in place to 3,493.

If chains adhere to the pattern set during the last couple of years, the total number of installations for 1981 will be about five times the figure for the first quarter, or about 1,900 systems. This would push the total number of operational scanner-equipped front ends to approximately 5,000 by Jan. 1, 1982.

Although Publix and Giant were the first chains to go 100% scanning, Jacksonville, Fla.-based Winn-Dixie still boasts the greatest number of systems, 286. Besides these three operations, Kroger, Alpha Beta and Safeway also have more than 100 scanner stores on stream.

NCR has clearly overcome IBM's decisive early lead in scanning and now has more installations operational than any competing supplier; 1,343 scanner supers give it 38.5% of the market. Datachecker, with 20.2% of the market on the basis of its 707 systems, is moving up fast behind second-place IBM (998 systems installed).



Winn-Dixie tops scanning list

Source: FMI

Retailers charged in arson plot

Eight supermarket and grocery store owners in Brooklyn, N.Y., were indicted last month for trying to increase their market share by burning out the competition.

In what Brooklyn District Attorney Eugene Gold called the "boldest and most unique arson-for-profit scheme yet uncovered," the defendants, all Dominican nationals, are charged with conspiracy, criminal restraint of trade and arson for eight contract torchings which have cost rival grocers almost $11 million.

Two men hired to set the fires were also indicted.

Six of the eight targets were supermarkets, including two Pioneer Supermarkets, Dan's Supreme, Key Food, C-Town and Speedway Met Supermarkets. The Dan's Supreme store was torched on three separate occasions, the Speedway store twice.

The two Pioneer stores and the Key Food never reopened.

The ring allegedly controlled as many as 150 grocery stores in north Brooklyn and were seeking a monopoly, according to the district attorney. North Brooklyn is a densely populated, low-income area, and many of the target stores were located near housing projects.

Even in their "marketing" methods the gang had competition. Two store owners, not part of the conspiracy, were also charged with contracting to burn out competitors.

Stop & Shop plugs bakery operation

With all the discussion of the advantages possessed by small and regional retailers, it's well to remember that bigness also has its virtues. In their full-page promotion, Stop & Shop merchandises the fact that it is large enough to support its own commercial baking operation.

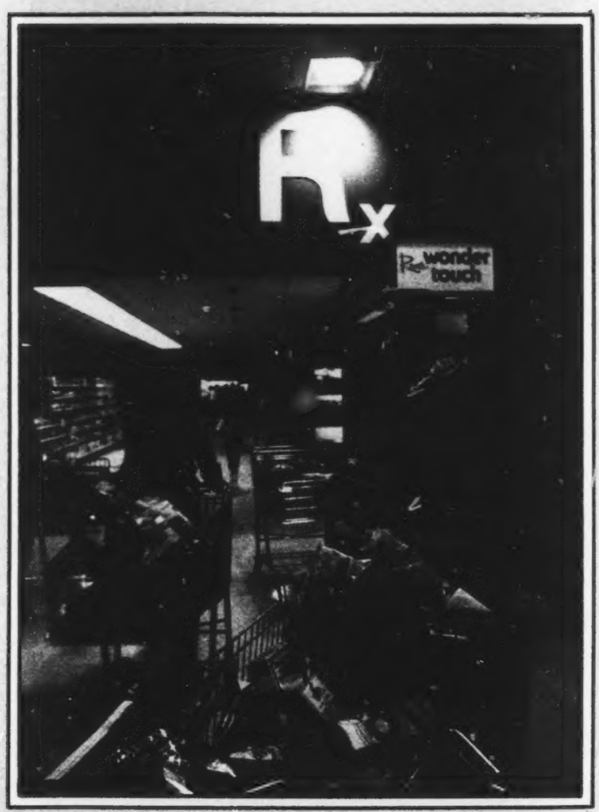
"It's not just having a wide variety of items," says the copy. "It's having our own Stop & Shop bakery." The ad, which is entirely "institutional" in nature, goes on to quote various chain executives involved with the bakery program to bring out the company's primary message of quality and variety.

Energy is keynote at NARGUS meet

A speech by Ralph L. Lewis Jr. of Gulf Oil Corp. on "Energy—Yesterday, Today and Tomorrow," along with a special Report from Washington, highlights this month's 82nd Annual Convention and Exhibit of the National Association of Retail Grocers of the United States (NARGUS). Eighteen workshops, three forums and six problem-solving sessions round out the yearly meeting at Astrohall in Houston, Tex.

This year's host is the Texas Retail Grocers Association. In addition to the official agenda, there is an NASA and Houston City Tour on Saturday for early arrivals, and special Spouse and Youth Programs

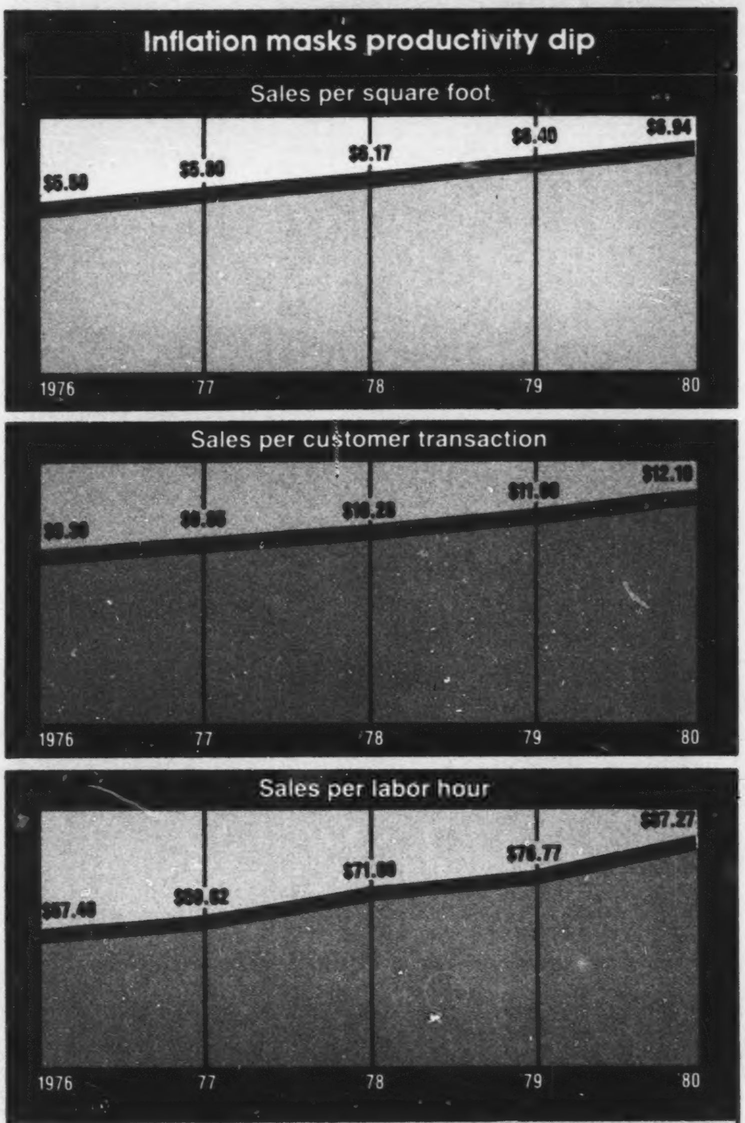
1981 SUPERMARKET CENSUS



Supermarkets design tomorrow's mix

The times they are definitely a-changin' in the supermarket industry. The continuing erosion of the always-thin net profit margin has galvanized the nation's food retailers into action. Where once grocers looked to the manufacturers for direction in such things as designing departments, measuring sales trends and fine-tuning the product mix, they are seizing the initiative in these and many other operations areas.

The development of advanced computer technol-



Appearances can be deceiving. Two of the three most important measures of productivity at the supermarket level would have declined in 1980 had it not been for the effect of inflation. As it was, sales per square foot, sales per customer transaction and sales per labor hour all posted all-time record highs last year.

One encouraging note is that worker productivity scored a real, as well as apparent, gain. Even adjusting for inflation, supermarket employees registered a 5.2% gain in this key area.

ogy for stores and the need to be lean and mean in an increasingly hostile and competitive environment are revolutionizing mass food retailing. Supermarketers are no longer sitting back and waiting for developments; they're taking the lead in scanner technology, generics, store design and in-store merchandising to a degree never seen before in the food business.

Generics, clearly the most dramatic innovation in retail food marketing to come along since the invention of private label, would never have gotten off the ground without the initiative taken by progressive supermarketers like Jewel Cos. A recently completed *CSA* research study shows that three out of four of the 100 largest supermarket chains presently stock plain wrap products—virtually double the number that carried them in 1979.

And the end of the generics boom is nowhere in sight. Although many retailers are still refining their generics merchandising strategies, no frills products now account for over 3% of total store sales. The figure is as high as 11% in some categories like paper goods, and many operators report that plain label items are the volume leaders in just about every category in which they are offered. Generics could have a 9% sales share by 1985 if present trends continue.

The advent of scanner technology has liberated retailers from their historic dependence on manufacturers for product movement information. The much-discussed and analyzed Giant Food prototype unit in Clinton, Md., illustrates what this seismic change in the "balance of knowledge" may mean for supermarketing in the 1980's. Giant subjected every sku in the store to ruthless examination based on scan data—and created a store with a starkly pared-down product mix designed to clear substandard profit and volume performers from its shelves.

This systematic re-evaluation of categories, product lines and individual items could well turn out to be the most important development of the decade. Near-automatic sell-in of complete lines could well be a thing of the past by mid-decade.

Manufacturers are also hearing the retailer's voice more frequently in the area of promotions. Now that any grocer with scanning registers can evaluate any promo almost instantaneously, retailers are becoming much more discriminating about the type of support they want. This makes it a lot easier for suppliers to get supermarketers' cooperation on good programs, but it also promises rougher sledding for ones that are poorly planned or inaccurately targeted.

No one predicts that the 1980's will be like a paid vacation for retailers; it will be even more hotly competitive than the decade just past. Yet supermarket operators have never had such potent weapons at their disposal—nor have they ever had their fate so clearly in their own hands. □

Store count shrinks below 200,000

No statistics more clearly point up the tremendous compression that food retailing has undergone in recent years than the trends in store count and total retail food sales. While the former is shrinking steadily, the latter is heading upward just as rapidly.

Both measures reached milestones during 1980. For the first time in the modern history of the industry, there are fewer than 200,000 food stores currently in operation. The ranks thinned even more than usual last year. This year's count of 193,995 is 8,705 stores fewer than 1979's total of 202,700.

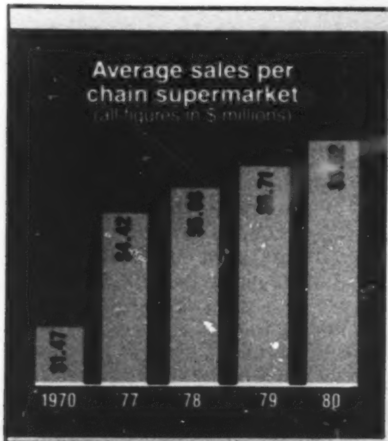
At the same time, total sales increased from $186.9 billion to a record $210.5 billion. In other words, the average food store has finally achieved an annual volume of $1 million.

The largest increase in store count occurred among chains with 25 or more units. These companies added 3,769 supermarkets in 1980, an 8.6% jump compared to the previous year. The apparent decrease in the number of 2 to 3 store operators probably reflects the recycling of many former chain units. ☐

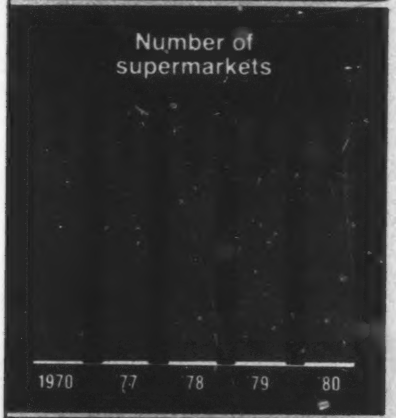
Big chains boost store count

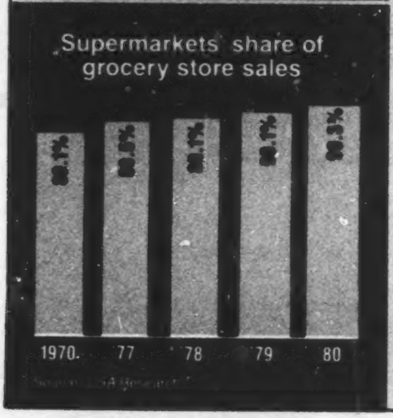
Calendar year	2-3-store chains	4-10-store chains	11-25-store chains	26+-store chains	Cos. operating no. of chain stores (no. of supers)	No. of food stores	Total food store sales (000 omitted)	Supermarket store sales (000 omitted)	Chain store share of food store sales
1971	6,609	4,703	3,783	32,085	4,234 operating 47,182 (29,184)	268,000	$ 89,239,000	$ 61,423,665	69.0%
1972	6,806	4,974	3,851	32,918	4,344 operating 48,549 (20,050)	246,000	$ 95,020,000	$ 66,501,576	70.1%
1973	6,993	4,970	4,078	34,870	4,501 operating 50,911 (30,062)	240,000	$105,731,000	$ 75,528,860	71.4%
1974	7,228	5,077	4,246	35,880	4,650 operating 52,431 (30,072)	236,000	$119,090,000	$ 86,315,872	72.1%
1975	7,027	5,009	4,628	38,357	4,563 operating 55,031 (29,457)	227,500	$131,426,000	$ 95,676,128	72.8%
1976	6,989	5,495	4,776	37,882	4,845 operating 56,142 (28,745)	218,500	$140,984,000	$105,822,775	75.0%
1977	6,538	6,140	4,426	41,175	4,478 operating 58,290 (28,269)	213,750	$152,469,000	$125,043,000	82.1%
1978	6,238	5,880	4,728	42,202	4,294 operating 58,860 (27,870)	207,250	$170,500,000	$140,700,000	82.5%
1979	6,205	6,032	5,035	43,993	4,409 operating 61,365 (27,488)	202,700	$186,893,000	$156,900,000	83.8%
1980	5,898	6,119	5,475	47,762	4,576 operating 65,054 (27,828)	193,995	$210,483,000	$178,700,000	84.9%

Source: Chain Store Guides, CSA Research


Average sales per chain supermarket
(all figures in $ millions)

Corporate chain-operated supermarkets


Number of supermarkets


Supermarkets' share of grocery store sales

Rank	Chain	Stores (1980)	Stores (1979)	1980 sales volume (000 omitted)	Avg. sales per supermarket (in $ millions)
1.	Safeway†	2,457	2,425	$15,102,873	$ 6.1
2.	Kroger†	1,229	1,234	10,300,000	8.4
3.	A&P	1,490	1,542	6,989,529	4.7
4.	Lucky	585	509	6,468,682	11.0
5.	American Stores¹	1,116	1,100	6,419,884	5.8
6.	Winn Dixie†	1,200	1,207	6,200,000*	5.2
7.	Jewel	457	736	4,267,922	9.3
8.	Grand Union	775	791	3,527,540	4.6
9.	Albertson's	397	384	3,039,128	7.7
10.	SGC (Pathmark)²†	123	113	2,630,000	21.4
11.	Publix†	245	231	2,168,000	8.8
12.	Dillon	580	528	2,077,265	3.6
13.	Stop & Shop	151	154	2,059,183	13.6
14.	Vons	162	116	1,800,000	11.1
15.	Giant Food	127	117	1,483,476	11.7
16.	Fisher Foods†	140	146	1,412,962	10.0
17.	Waldbaum's	138	136	1,271,000	9.2
18.	First National†	185	274	1,259,700*	6.8
19.	National Tea	241	243	1,219,304	5.1
20.	Food Fair	200	200	1,128,650	5.6
21.	Borman's†	96	82	1,000,795	10.4
22.	Ralphs†	99	97	980,800	9.9
23.	Fred Meyer	56	63	972,816	17.4
24.	Cullum†	119	120	864,974	7.3
25.	H. E. Butt	150	150	803,000	5.4
26.	Hy-Vee	131	150	770,000	5.9
27.	Gamble Skogmo	90	97	730,000	8.1
28.	Weis	107	109	684,814	6.4
29.	Scrivner	71	62	650,000	9.2
30.	Smith's Mgmt.	131	127	645,000	4.9
31.	Furr's	89	92	620,000	7.0
32.	Bi-Lo's (S.C.)	117	109	610,000	5.2
33.	Foodtown (N.C.)	107	85	543,883	6.4
34.	Price Chopper	58	53	535,000*	9.2
35.	Allied	88	87	534,833	6.1
36.	Arden Mayfair	105	105	509,628	4.9
37.	Schnuck's	52	52	500,115*	9.6
38.	Alterman†	96	92	500,000	5.2
39.	Kohl's	76	75	500,000*	6.6
40.	Purity Supreme	105	103	500,000	4.8
41.	Stater Bros.	89	75	489,000	5.5
42.	Raley's	34	34	485,000*	14.3
43.	Thriftimart†	44	43	483,700	11.0
44.	Chatham†	45	46	480,000	10.7
45.	Bruno's†	50	50	458,629	9.2
46.	Giant Eagle	49	49	450,000	9.2
47.	Big Bear	60	29	440,000*	7.3
48.	Nash Finch†	100	103	434,663	4.3
49.	Wegman's	34	34	420,000*	12.4
50.	Foodarama	39	44	412,890	10.6

Source: *CSA* Research based on Company Annual Reports, S.E.C. 10-K Forms and other financial statements. Estimates (indicated by an asterisk*) are used in the absence of published data.

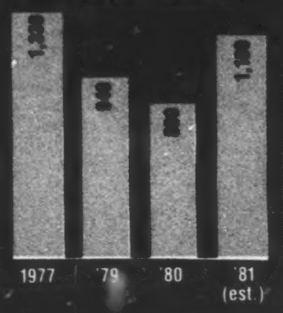
Rank	Chain	Stores (1980)	Stores (1979)	1980 sales volume (000 omitted)	Avg. sales per supermarket (in $ millions)
51.	DeMoulas	28	26	410,000*	14.6
52.	Sentry	48	86	408,345	8.5
53.	Big V	27	26	407,872	15.1
54.	Smitty's	19	17	400,000*	21.0
55.	Pueblo Int'l	41	41	396,600	9.7
56.	Shopwell	72	69	384,559	5.3
57.	Super Valu	144	128	373,980	2.6
58.	A. J. Bayless†	60	58	368,521	6.1
59.	Penn Traffic†	47	64	368,075	7.8
60.	Harris Teeter	80	80	363,700	4.5
61.	King Kullen†	53	53	359,910	6.8
62.	Shaw's	37	37	358,800*	9.7
63.	Seaway Foodtown†	74	54	357,113	4.8
64.	Schwegmann	10	10	350,000	35.0
65.	Hughes	35	35	350,000*	10.0
66.	Delchamps	63	35	350,000*	5.6
67.	Tradewell	118	119	325,000*	2.8
68.	Schultz Sav-O	37	35	309,595*	8.4
69.	Almac†	41	41	305,250*	7.4
70.	The Boys	40	40	300,000*	7.5
71.	Ingles	74	72	289,000*	3.9
72.	Mayfair (Foodtown)	34	39	279,552	8.2
73.	Victory Markets	103	86	275,924	2.7
74.	Star Supermarkets†	41	41	274,251	6.7
75.	Thorofare Supermarkets	58	59	272,395	4.7
76.	Mott's	25	24	264,794	10.6
77.	Red Food	34	34	261,264*	7.7
78.	Handy Andy	52	50	259,000*	5.0
79.	Brookshire	62	62	250,000	4.0
80.	Jitney-Jungle	53	53	246,000	4.6
81.	Village†	20	20	245,295*	12.3
82.	Fareway	38	37	240,000	6.3
83.	Country Club	44	42	240,000	5.5
84.	Piggly-Wiggly (R.R.)	64	69	240,000	3.8
85.	Minyard	52	52	240,000	4.6
86.	Fred W. Albrecht	23	23	240,000*	10.4
87.	Tamarkin	41	35	240,000	5.9
88.	Randall	15	13	225,000*	[illegible].0
89.	Milgram	49	51	220,000	4.5
90.	Houchens	55	51	200,000	3.6
91.	Meijers	31	28	200,000	6.5
92.	Consumers Market	30	30	200,000	6.7
93.	Save Mart	29	28	190,000	6.6
94.	Peter J. Schmitt	28	39	186,082	6.6
95.	Lowe's (N.C.)	77	63	185,000	2.4
96.	Melmarkets	14	15	176,000	12.6
97.	Giant (Pa.)	29	25	175,000*	6.0
98.	Food World	38	37	152,682	4.0
99.	S. M. Flickinger	53	63	150,000	2.8
100.	Giant	47	47	150,000	3.2

†Indicates the company uses LIFO method of accounting for all or substantial amounts of inventory.

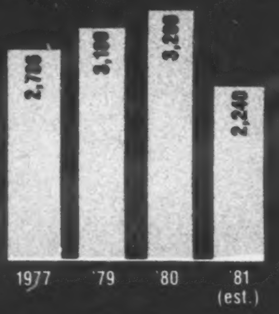
[1] Sales and earnings stated on a *pro forma* basis assuming the combination of Skaggs Co. and the former American Stores Co. occurred at the start of fiscal 1979.

[2] Supermarket operations only.

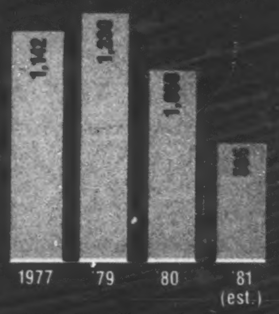
Number of new supermarkets



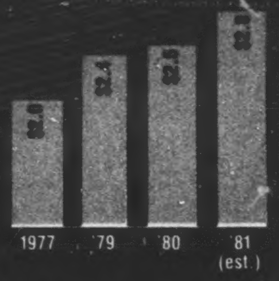
Number of remodels completed



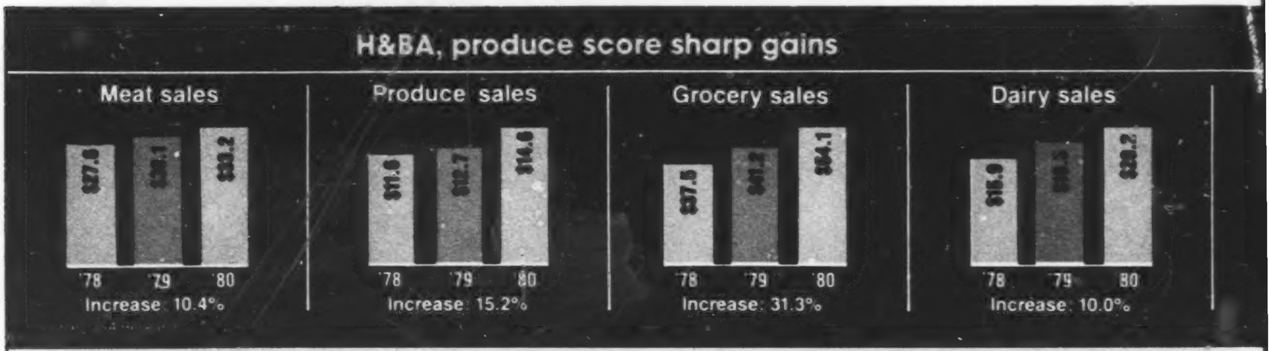
Number of supermarkets recycled



Capital expenditures
(in billions)



Source: CSA Research



H&BA, produce score sharp gains

Retailers bank on superstores

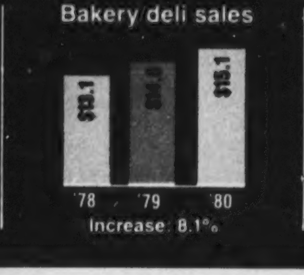
With all the talk about innovative store formats in the supermarket industry, it is sometimes possible to overlook the obvious. Although the new store configurations popping up across the country certainly have merit in appropriate market situations, the superstore remains the primary vehicle of chain expansion. And it is likely to remain so at least through the 1980's.

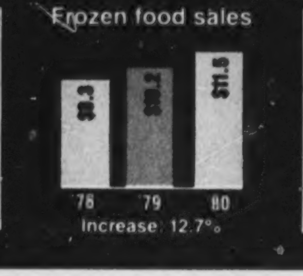
In 1980, jumbo-size units again increased their share of supermarket dollar volume. Stores of 30,000 sq. ft. generating sales in excess of $5 million annually accounted for almost 55% of total sales. The 11,585 units that fall into this category—10,594 chain, 991 single-store—generated $98.2 billion worth of business last year, compared to $80.8 billion in 1979. That's virtually equal to the total sales of *all* mass food retailers as recently as 1975.

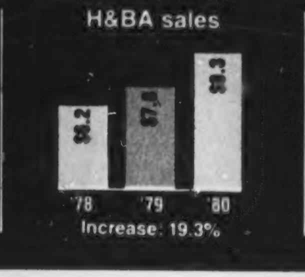
The dominance of the superstore also exerts a tremendous influence on the number of supermarkets. The count of units doing more than $1 million in sales per year has dropped steadily since the mid-1970's, when the superstore concept first began to exert its profound effect.

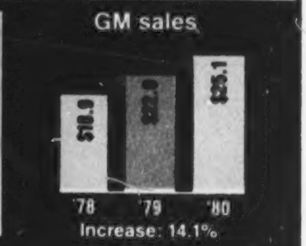
How concentrated has volume become? In 1975, 41,324 supermarkets rang up $102.6 billion in sales. Last year, by way of comparison, 39,462 units raked in $178.7 billion. Even allowing for inflation, it's quite obvious that the typical super today is a much higher-volume operation than the average grocery outlet of the mid-1970's.

The much-discussed advantages of the superstore, which need no review here, have induced many companies to phase out the conventional outlets that took them successfully through the first three decades of the


Bakery deli sales


Frozen food sales


H&BA sales


GM sales

Fewer supers account for bigger volume

Store classification	Units	Sales (000 omitted)	Supers' % of super, groc. and conv. sales	Supers' % of total sales
[illegible]				
Supermarkets	41,482	$ 60,898,000	80.1%	74.8%
Supers, groceries and convenience stores	209,400	76,028,000		
Others	69,600	5,394,000		
Total food stores	279,000	81,422,000		
[illegible]				
Supermarkets	39,392	125,043,000	88.5	82.1
Supers, groceries and convenience stores	144,531	141,300,000		
Others	69,219	11,000,600		
Total food stores	213,750	152,300,800		
[illegible]				
Supermarkets	39,559	140,700,000	89.1	82.5
Supers, groceries and convenience stores	156,520	157,980,000		
Others	61,154	12,520,000		
Total food stores	207,250	170,500,000		
[illegible]				
Supermarkets	39,504	156,900,000	90.1	83.9
Supers, groceries and convenience stores	142,730	174,093,000		
Others	59,970	12,800,000		
Total food stores	202,700	186,893,000		
[illegible]				
Supermarkets	39,462	178,730,000	90.3	84.9
Supers, groceries and convenience	133,820	197,895,000		
Others	60,175	12,588,000		
Total food stores	193,995	210,483,000		

Note: According to U.S. Census of Business, food stores include grocery stores, meat and fish markets, fruit and vegetable stands, candy, nut and confectionery stores and retail bakeries.

Source: Chain Store Guides, *CSA Research*

*Estimated

Superstores' share nears 55%

Supermarkets	Chain-owned	Single-owned	Total	1980 sales (000 omitted)
$1 million to $3 million	6,434	9,741	16,175	$ 34,795,000
$3 million to $4 million	6,134	858	6,992	24,472,000
$4 million to $5 million	3,864	846	4,710	21,195,000
$5 million to $10 million	8,499	567	9,066	67,920,000
Over $10 million	2,135	394	2,529	30,348,000
Total	27,976	12,436	39,462	$178,730,000

Source: *CSA* research

post-World War II era. A new superstore sometimes replaces as many as three older, smaller and, therefore, less efficient conventional supermarkets. Chains that failed to make this conversion during the last five years are now finding building sales and profits pretty rough-going. Though some chains—Winn-Dixie comes to mind immediately—have remained successful with smaller units, this is definitely an exception to the general rule.

A survey of the presidents of the 100 leading supermarket chains, conducted by *Chain Store Age Supermarkets*, indicates that these retailing heavies will continue to focus their capital construction programs on the superstore this year. Of the nearly 2,000 new units scheduled to open their doors in 1981, approximately 1,700 will fall into the superstore class.

For a while, it looked like most chains would back away from the really mammoth-size superstores—units running 45,000 sq. ft. or more—but this minitrend has reversed. Most companies are again planning to build larger stores than the ones they presently operate. Roughly three-fourths of the survey participants told *CSA Supermarkets* that the outlets they open in 1981 will be larger than the ones that went on stream during 1980. Some companies believe they've found the perfect size and will maintain it in future construction, but few of the "top 100" food retailers are seriously considering scaling down the size of new stores in the immediate future.

The typical new supermarket in 1981 will be 35,600 sq. ft. The extra selling area, in most cases, will be used to expand general merchandise lines. ☐

Giant: '1980 best-managed chain'

The supermarket industry's turbulent 1980 put a great premium on effective management. Top-echelon executives of food retailing companies often found themselves doing some fancy footwork to keep things on an even keel in choppy financial seas. The savvy team that steered Giant Food through this difficult period did its task so well that the Landover, Md.-based retailer copped the prize as *CSA*'s best managed chain of 1980.

It is a measure of the abilities of chain executives—and an indication of the severity of the obstacles they had to overcome—that this turned out to be the toughest-to-judge competition since *Chain Store Age* began its annual evaluation of billion-dollar chains two years ago.

Giant overcame inflation and tenacious local competition with the likes of Safeway to eke out the narrowest of victories over the two previous winners, Publix and Albertson's.

Although Giant performed well as measured by the 11 crucial financial yardsticks developed by *CSA*'s corps of researchers and analysts—one first-place finish, three seconds, two thirds and one fourth—no single chain came close to dominating all the measurements as was the case in previous years.

Turning to the yardsticks themselves, they indicate that 1980 was, indeed, a harder year for the industry than 1979. For instance, although Winn-Dixie led the way with the highest return on assets (ROA) for the third straight year, the average for the five best finishers in 1980, 7.2%, was markedly lower than the 9.2% ROA that 1979's five best compiled.

Operating income as a percentage of total sales offers another example. Although Giant remained at the same 2.3% level it achieved in 1979, the top five finishers did a full 1% worse on average. Winn-Dixie, which did best in this measure in 1979, slipped to fourth as operating income fell from 3.4% to 2.0% of sales.

Some measures, of course, did show gains in 1980. Unfortunately, inflation was clearly responsible for a generous portion of the improvement in most cases. In sales per unit, Super-

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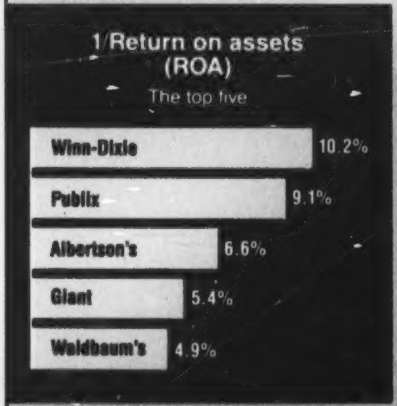
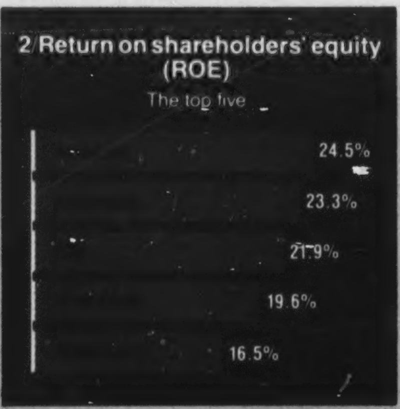
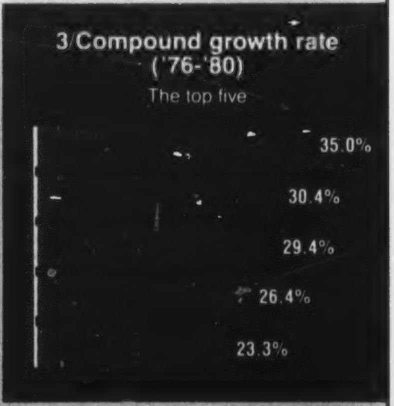
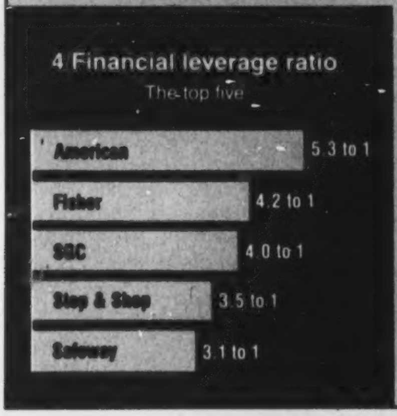
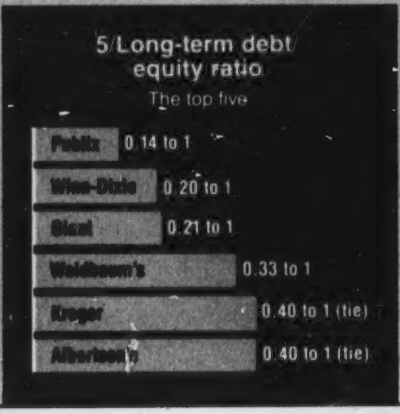
Note: This annual financial recap is the result of extensive research conducted by the editors of Chain Store Age Supermarkets. *Leading Wall Street security analysts were instrumental in developing and validating the weighted yardstick formulas used to determine performance rankings.*

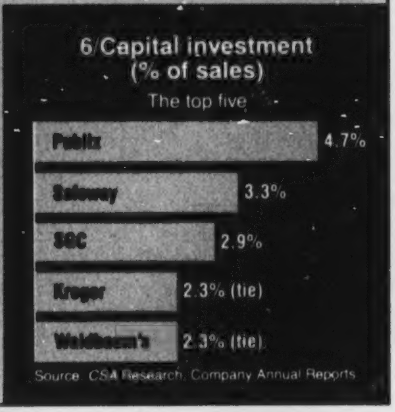

1/Return on assets (ROA)
The top five


2/Return on shareholders' equity (ROE)
The top five


3/Compound growth rate ('76-'80)
The top five

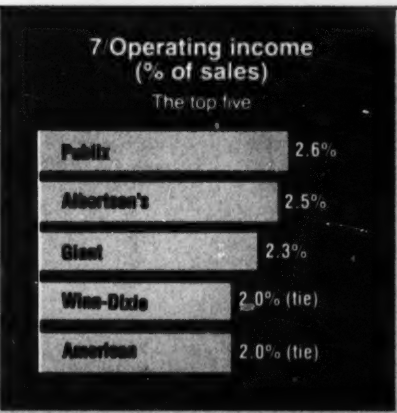

4/Financial leverage ratio
The top five


5/Long-term debt equity ratio
The top five

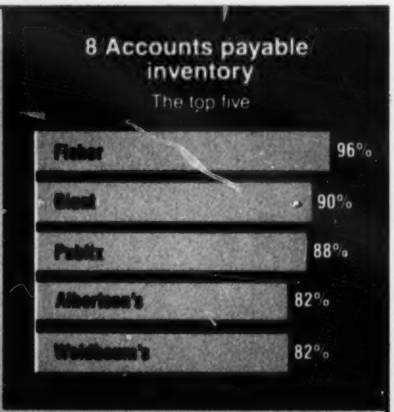

6/Capital investment (% of sales)
The top five

Source: CSA Research, Company Annual Reports markets General easily outdid all the rest with an average of nearly $20 million per outlet. Giant increased its sales-per-store at double the rate of inflation to come in second at $11.2 million per super. The rest increased average volume at a rate only a little ahead of inflation.

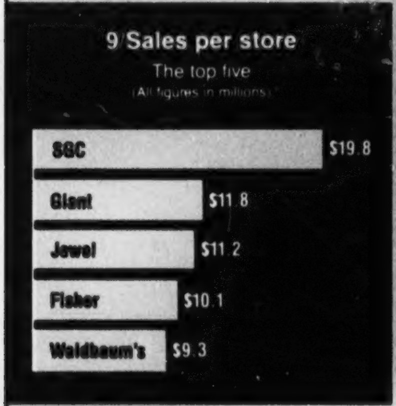
The same, in general, was also true for sales per employee. Giant's conversion to scanning clearly paid off handsomely for the retailer last year. ☐


7/Operating income (% of sales)

The top five

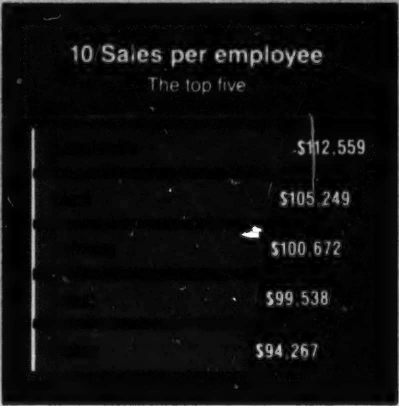

8/Accounts payable/inventory

The top five

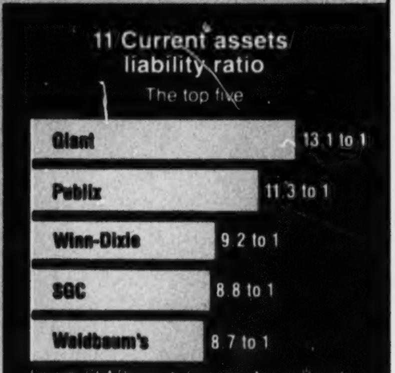

9/Sales per store

The top five

(All figures in millions)


10/Sales per employee

The top five


11/Current assets/liability ratio

The top five

Source: CSA Research; Company Annual Reports

Terminology and methodology

1. Return on assets (ROA): Net earnings divided by the value of total assets carried on the books at year-end. Measures how effectively management is deploying total corporate assets.

2. Return on shareholders' equity (ROE): Net earnings divided by shareholders' equity in the business at the beginning of the fiscal year. Points up which chain management is able to use investors' money most productively.

3. Compound growth rate: The compounded improvement in net earnings over the latest five-year ('75-79) reporting period. Indicates the "staying" power of a chain expressed in percentage terms. Compound growth also illustrates how well a chain has improved operating efficiency over the same time span.

4. Financial leverage ratio: Total company assets at year-end divided by net worth (shareholders' equity). Indicates ability to attract financial investors readily.

5. Long-term debt/equity ratio: Long-term liabilities (debt) compared to shareholders' equity. Illustrates to what degree management is using "borrowed" money to finance the growth of the business. A lower rate is indicative of generating a higher percentage of growth money from existing operation.

6. Capital investment: The amount of money invested in new stores and other directly supportive facilities, expressed as a percentage of sales. Illustrates which companies are making larger investments in plant, for future return.

7. Operating income: Gross profit of food operations less merchandise, operating and direct administrative costs, expressed as a percentage of sales. Because a number of supermarket companies are in more than the "food" business, operating income comparisons of "food" divisions is a better barometer than net (after-tax) corporate earnings.

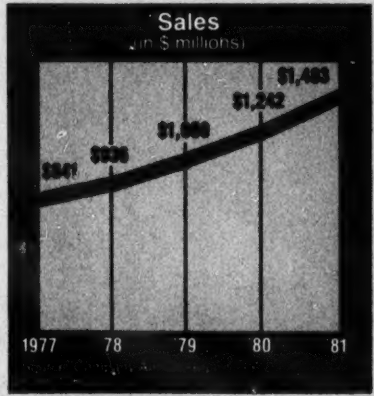
8. Accounts payable/inventory ratio: Accounts payable divided by year-end inventory position. Measures how supplier credit terms are used to support a chain's inventory investment.

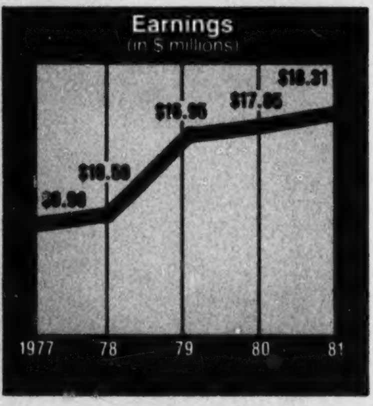
9. Sales per store: Total food store sales divided by the number of operating units at year-end. A basic measurement of volume generated on a per-store basis.

10. Sales per employee: Total sales divided by the number of employees reported on payroll at year-end (according to company annual reports and S.E.C. Forms 10K). Measures employee productivity.

11. Assets/liability ratio: The relationship of total current assets measured against the total of outstanding long-term liabilities. Illustrates the degree a company is utilizing outside financial resources to fund growth. ☐

It's Giant Food—by a photo finish





Football coaches are fond of declaring that their team was victorious because it executed its game plan well.

The very same thing can be said for Giant Food Inc., the company selected by *Chain Store Age Supermarkets* as the best-managed chain of 1980.

In the Washington and Baltimore market areas where Giant operates 127 stores, a two-year market war has embroiled major entities such as Safeway, Grand Union, Food Fair and A&P, but it is Giant that has managed to win the major battles and improve its market share.

During that period, Giant successfully switched its entire operation to optical scanning, introduced a radical new concept in store formats and tackled the toughest challenges facing the industry with painstaking planning and near-flawless execution.

Behind the Giant philosophy is a long-cherished belief that volume is the key to happiness. But it's backed with the merchandising savvy to draw traffic and increase sales despite the competition and the economy.

Last year the company took sales up 19% while producing a net profit well beyond the industry average. Giant's sales and share are up again this year as it follows the latest strategy in the war of Washington: warehouse pricing.

The strategy took the competition by surprise and the market by storm—just as Giant had planned. ☐

Why Giant won

Criterion	Calibration	Ranking
Return on assets (ROA)	5.4%	4
Return on equity (ROE)	16.0%	5
Compound growth ('76-'80)	18.0%	n/r
Financial leverage	2.8-1	n/r
Debt/equity ratio	0.21-1	2
Capital investment (% of sales)	2.0%	n/r
Operating income (% of sales)	2.3%	3
Cash flow (AP/I)	90%	2
Sales per supermarket	$11.8 mil.	2
Sales per employee	$105,249	2
Asset/liability ratio	13.11-1	1

Source: *CSA Research*

Co-operatives, voluntaries enhance status of independent retailers

Seven wholesalers pass billion-dollar mark

Company	Type	[illegible]	Supers	[illegible]
1. Super Valu Stores	Vol.	[illegible]	1,985	[illegible]
2. Wakefern Food	Co-op	[illegible]	195	[illegible]
3. Fleming Co.	Vol.	[illegible]	832	[illegible]
4. Malone & Hyde	Vol.	[illegible]	52	[illegible]
5. Certified Grocers of Calif.	Co-op	[illegible]	900	[illegible]
6. Wetterau Inc.	Vol.	[illegible]	595	[illegible]
7. S. M. Flickinger	Vol.	[illegible]	176	[illegible]
8. Super Food Services	Vol.	[illegible]	NA	[illegible]
9. United Grocers Ltd.	Co-op	[illegible]	522	[illegible]
10. Scot-Lad	Vol.	[illegible]	NA	[illegible]
11. Spartan Stores Inc.	Co-op	[illegible]	250	[illegible]
12. Associated Wholesale Grocers	Co-op	[illegible]	500	[illegible]
13. West Coast Grocers	Vol.	[illegible]	135	[illegible]
14. Certified Grocers—Illinois	Co-op	[illegible]	365	[illegible]
15. Alfred M. Lewis	Vol.	[illegible]	514	[illegible]
16. Fox Grocery	Vol.	[illegible]	126	[illegible]
17. American Strevell	Vol.	[illegible]	100	[illegible]
18. Twin County Grocers	Co-op	[illegible]	178	[illegible]
19. Frankford-Quaker	Co-op	[illegible]	115	[illegible]
20. Associated Grocers—Wash.	Co-op	[illegible]	225	[illegible]
21. Springfield Sugar	Vol.	[illegible]	113	[illegible]
22. Grocers Supply Co.	Vol.	[illegible]	200	[illegible]
23. Scrivner Inc.	Vol.	[illegible]	300	[illegible]
24. Richfood Inc.	Co-op	[illegible]	150	[illegible]
25. Niagara Frontier Services	Vol.	[illegible]	19	[illegible]
26. Associated Food Stores—Utah	Co-op	[illegible]	235	[illegible]
27. United Grocers Inc.—Oregon	Co-op	[illegible]	220	[illegible]
28. Hannaford Bros.	Vol.	[illegible]	77 +1 superette	[illegible]
29. Nash-Finch	Vol.	[illegible]	160	[illegible]
30. White Rose Food Corp.	Vol.	[illegible]	104	[illegible]
31. Affiliated Food Stores—Texas	Co-op	[illegible]	280	[illegible]
32. Gateway Foods	Vol.	[illegible]	160	[illegible]
33. Farm House Foods	Vol.	[illegible]	102	[illegible]
34. Associated Grocers—Arizona	Co-op	[illegible]	206	[illegible]
35. Key Food Stores	Co-op	[illegible]	125	[illegible]
36. Roundy's	Co-op	[illegible]	101	[illegible]
37. Godfrey Co.	Vol.	[illegible]	48	[illegible]
38. Piggly Wiggly Carolina	Vol.	[illegible]	105	[illegible]
39. American Seaway Foods Inc.	Vol.	[illegible]	240	[illegible]
40. URM Stores	Co-op	[illegible]	125	[illegible]
41. The McLain Grocery Co.	Vol.	[illegible]	54	[illegible]
42. Kraedale Foods	Vol.	[illegible]	95	[illegible]
43. Associated Grocers—Colorado	Co-op	[illegible]	371	[illegible]
44. Certified Grocers—Florida	Co-op	[illegible]	89	[illegible]
45. Peter J. Schmitt	Vol.	[illegible]	54	[illegible]
46. General Grocer Co.	Vol.	[illegible]	85	[illegible]
47. The Creasey Co.	Vol.	[illegible]	78	[illegible]
48. Roundup Co.	Vol.	[illegible]	67	[illegible]
49. Associated Grocers—St. Louis	Co-op	[illegible]	328	[illegible]
50. Piggly Wiggly Operators Warehouse	Co-op	[illegible]	190	[illegible]

Source: *CSA Business Guides, CSA Research*

Food wholesalers have emerged triumphant from a long period of sometimes-agonizing self-definition. Companies offering sophisticated co-op and voluntary programs have become the chief support of the nation's independent supermarket operators.

And no one needs friends more than the go-it-alone operator. With the supermarket business becoming more and more capital-intensive, independent grocers are turning to the wholesalers for the support services they need to compete effectively with big-chain rivals. Few small grocers have the financial resources—not to even mention the know-how—to implement such productivity boosters as electronic front-end scanning without the timely assistance of the wholesaling firms that serve them.

Wholesalers helped their clients move thousands of former chain outlets into the independent column. As a result, independents' share of supermarket sales exceeded 31% in 1980—and is likely to go still higher over the next few years.

Compression in the wholesaling segment of the food business continued in 1980. There is certainly a place in the distribution chain for the small- to medium-size wholesaler, but there is no denying the fact that larger concerns are more efficient and cost-effective. The huge number of mergers and acquisitions among wholesalers in recent years has concentrated this expanding business into a decreasing number of big companies.

There were 492 wholesalers serving cooperative or offering voluntary plans in 1977. This shrank to 468 in 1978, 455 in 1979 and 420 last year.

The survivors, meanwhile, have prospered. The top seven wholesalers now boast annual sales of more than $1 billion each, and several others are rapidly closing in on this magic figure. What's more, all of the companies in the "top 50" are comfortably over the $200 million-a-year plateau. ☐

Bloom is off the c-store rose

Until the turn of the current decade, supermarket operators could only watch and marvel at the wildfire growth of the convenience store field. These space-age descendants of the good old-fashioned mom and pop groceries were popping up like dandelions.

If supermarket executives viewed the spread of convenience stores with alarm, it was only a natural reaction. After all, c-stores take their volume directly out of supermarket cash registers in most cases. They've siphoned off some big bucks in such product categories as soft drinks, beer, candy and gum, dairy and frozen foods.

It looks like supermarketers can now begin to breathe a little easier. While c-stores aren't about to dry up and blow away, it is reasonable to assume that the period of greatest growth for such units now lies in the past.

Sales are still rising rapidly, but convenience store volume is even more strongly affected by inflation than supermarket sales. Gasoline probably ranks as the single most important product sold by c-stores—and everyone knows what has been happening to prices at the pump.

Of greater significance is that the number of convenience store units is no longer increasing with lightening rapidity. In fact, as the accompanying chart shows, a majority of the "top 10" c-store chains operate fewer stores today than a year ago. ☐

Southland still sales leader

Rank	Company	Estimated convenience store sales
1.	Southland Corp.	4,782,605,000*
2.	Circle K Corp.	533,183,000
3.	National Convenience	434,430,000*
4.	Cumberland Farms	417,900,000**
5.	UtoteM	275,000,000
6.	Munford Inc.	257,586,000 (Grocery only)
7.	Lawson Milk	250,000,000
8.	Convenient Food Mart (CIAM)	195,700,000 (Grocery only)
9.	Wawa Food Marts	160,000,000
10.	L'il General Stores	148,037,000

*Total company
**Estimate
Source: CSA Research

Coca-Cola
15¢
25¢
35¢
39¢
29¢

Recession slows unit proliferation

Rank	Company	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
1.	Southland Corp.	4,080	4,803	4,850	6,016	5,692	6,896	7,016	6,599	7,670	7,248
2.	Circle K Corp.	652	782	840	947	1,028	1,066	1,100	1,105	1,158	1,200
3.	Munford Inc.	951	1,005	1,250	1,331	1,371	1,400	1,400	1,211	1,320	1,183
4.	Cumberland Farms	664	850	868	960	988	1,200	1,158	1,180	1,098	1,100
5.	UtoteM	575	607	742	882	934	1,012	1,016	928	934	933
6.	National Convenience	525	575	654	880	985	743	722	725	606	614
7.	Lawson Milk	702	736	782	755	735	750	751	760	733	740
8.	L'il General Stores	512	507	547	543	563	556	549	515	480	490
9.	Convenient Food Mart (CIAM)	137	141	167	174	218	252	268	285	316	386
10.	Wawa Food Marts	101	125	124	130	164	164	196	220	236	236

Source: Company Annual Reports, CSA Research

Sales barely outpace inflation

Product Category	% of 1980 Average Gross Margins	% of 1980 Total Supermarket Sales	% of 1980 Gross Profit $	1980 Supermarket Sales (In Millions)	1979 Supermarket Sales (In Millions)	% Diff.
Canned Vegetables	21.8	1.44	1.33	$ 2,574.06	$ 2,489.34	3.40
Canned Fruit	21.0	0.64	0.56	1,145.34	1,120.13	2.25
Canned Juice	20.6	1.15	1.01	2,054.87	1,752.61	17.25
Canned Meat/Specialties	22.8	0.66	0.66	1,176.86	1,085.81	8.39
Canned & Dry Soup	20.2	0.95	0.81	1,687.49	1,623.62	3.93
Canned Fish	16.4	1.12	0.78	1,989.44	1,699.61	17.05
Canned & Dry Milk	13.0	0.22	0.12	395.80	370.42	6.85
Breakfast Foods	19.2	1.64	1.34	2,921.87	2,365.60	23.51
Pasta Products	23.6	0.54	0.56	966.27	811.51	19.07
Dried Vegetables	24.1	0.37	0.38	649.96	524.47	23.93
Dried Fruit	27.0	0.18	0.20	312.04	303.86	2.69
Frozen Foods	28.1	6.43	7.99	11,492.01	10,174.07	
Dairy Products	23.1	11.29	11.13	20,182.84	18,346.46	10.01
Soft Drinks & Mixes	28.3	3.66	4.42	6,542.74	4,570.58	43.15
Coffee	12.3	2.32	1.24	4,139.89	3,861.66	7.20
Beer	25.5	2.81	3.06	5,017.51	4,295.84	16.80
Wine	36.9	0.25	0.41	443.24	375.98	17.89
Tea	22.5	0.33	0.32	581.53	595.31	− 2.30
Bakery Foods	20.4	3.58	3.12	6,400.42	5,712.12	12.05
Cookies/Crackers	25.5	2.07	2.26	3,705.51	3,345.43	10.76
Snacks	27.2	1.29	1.48	2,299.54	2,053.44	11.98
Sugar	8.3	0.64	0.23	1,134.69	621.94	82.44
Premixes & Baking Needs	21.8	0.93	0.85	1,655.15	1,504.76	9.99
Oils & Shortenings	16.9	0.56	0.40	999.96	918.03	8.92
Spices	32.7	0.45	0.59	789.04	649.87	21.42
Flour	16.1	0.31	0.21	560.26	491.91	13.89
Pickles/Olives/Relishes	26.9	0.43	0.49	766.87	673.76	13.82
Dressings	18.0	0.74	0.56	1,320.51	1,130.80	16.78
Sauces	23.4	0.78	0.78	1,389.32	1,286.99	7.95
Desserts & Toppings	21.4	0.32	0.28	562.74	457.55	22.99
Spreads	22.8	0.56	0.56	1,005.84	748.66	34.32
Syrups	21.8	0.22	0.20	386.51	317.89	21.59
Pet Products	22.6	2.22	2.14	3,959.05	3,218.50	23.01
Candy & Gum	31.7	1.26	1.71	2,253.30	1,867.12	20.68
Baby Foods	11.1	0.44	0.22	785.35	703.92	11.57
Nuts	28.3	0.43	0.48	757.05	615.69	22.96
Diet/Lo-cal/Health Foods	25.2	0.34	0.37	603.66	534.23	13.00
Tobacco Products	10.3	4.36	1.91	7,799.31	7,0[illegible]1.52	10.45
Health & Beauty Aids	26.1	5.22	5.50	9,315.03	7,816.29	19.27
Paper/Plastic Film/Foil	20.6	2.72	2.37	4,857.94	4,209.39	15.41
Soaps & Detergents	16.9	1.79	1.29	3,193.12	2,869.24	11.29
Housewares	35.6	1.96	3.02	3,621.69	3,454.93	4.83
Laundry & Ironing Aids	20.0	0.53	0.45	943.21	830.47	13.58
Cleansers	24.9	0.68	0.71	1,207.40	1,007.34	19.86
Books & Magazines	28.9	0.68	0.84	1,205.62	1,033.96	16.60
Greeting Cards/Stationery/ Supplies	48.1	0.29	0.57	519.63	433.22	19.95
Soft Goods	39.4	0.53	0.88	935.31	860.86	8.65
Waxes & Polishes	31.0	0.16	0.18	286.71	233.69	22.69
Cleaning Implements	35.5	0.20	0.30	345.61	333.70	3.57
Misc. Household Supplies	33.0	0.20	0.28	355.71	335.60	5.99
Produce	30.8	8.18	10.76	14,612.06	12,683.54	15.21
Meats	20.9	18.60	16.62	33,247.47	30,128.57	10.36
Unclassified	37.8	0.31	0.57	554.61	485.93	14.13
Total	22.4	100.00	100.00	$178,709.00	$156,661.00	14.07

Total supermarket sales increased slightly more than 14% last year, rising from 1979's $156.7 billion to $178.7 billion.

The meat department's share of total store volume slipped slightly for the second consecutive year. The 10.36% increase for the category, which took total volume to $332 billion, did not quite keep pace with inflation.

Produce, on the other hand, outpaced overall store growth by a small margin. Volume grew from $12.7 billion in 1979 to $14.6 billion last year. The growing number of people attempting to "eat light" also helped push sales of dressing up 16.79% to $1.3 billion. Of course, even the most dedicated dieter needs an occasional break from the routine, which may account for the fact that both desserts and toppings and candy and gum each increased sales more than 20%.

Among the nonfoods categories, health and beauty aids did especially well. Sales rose 19.27%, reaching $9.3 billion. Also particularly strong were greeting cards, stationery and supplies and waxes and polishes.

'Naturals' juice up canned sales

Social and economic trends gave natural fruit juices a taste of success, while fruit-flavored drinks found 1980 a long, dry year.

Overall, the category rebounded from a lackluster 1979, notching 17.3% growth in 1980. But as is often the case with statistics, there's more to be learned by looking behind the numbers.

The solid category performance is a reflection of specialized, not general, growth. Fruit juices account for 62.3% of total sales, up 5% from 1979. The leap of 27.1%, to total sales of $1.3 billion, fosters the deceptive appearance of strong overall category gains.

But fruit-flavored drinks' dollar growth trickled along at 3%, far below the double-digit inflation rate. Vegetable juices fared no better. Why?

In addition to the success of frozen and chilled juice sales, manufacturers and retailers point to two other factors—both of which are expected to continue to play influential roles—to explain the performance of these two major category segments.

First, the across-the-board consensus is that people's drinking habits are changing, and *au naturel* is in.

"Canned juices are benefiting from the increased awareness about health, the refreshing-but-good-for-you syndrome," explains an Ocean Spray spokesman. "And with the baby boom generation becoming the main consumers, that segment of the market is broadening."

Apple juice, nectars are big winners; sugar prices undercut fruit-flavored drinks

The other culprit responsible for poor fruit-flavored drink sales is the cost of sugar.

"Prices have done a dipsy doodle and really affected the market," one sugar manufacturer explains. Sugar remains a highly volatile market, but experts feel wholesale prices will rise anywhere between 12% and 18% this year.

"Sales are definitively off," says a regional manager of Coca Cola Co.'s Food Division, maker of Hi-C. "Escalating sugar prices on the wholesale level have forced us to raise prices on the retail level, and it's hurting. The trend is leveling off, but in the past we could run a sale and people could buy our canned products three for a buck. Now, it's 89 cents to 95 cents for one."

Apple jackpot: Among canned fruit juices, apple juice was the big money winner. A product that first became a force in 1976 when citrus prices spiraled, apple juice logged sales of $445 million in 1980, a 31% increase over 1979.

"Apple juice has appealed to health-conscious, nutrition-conscious, diet-conscious Americans," explains Eric Jaeckle, director of marketing for Seneca.

"People are looking more toward pure fruit juices, like apple juice," adds Tim Ward, manager of mar-

Canned Juice: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Powdered Breakfast Drinks	2.93	$ 60.29	$ 50.13	20.27	2.88	$ 12.24	5	20.3
Fruit-Flavored Drinks	20.19	414.98	402.63	3.04	18.98	80.53	44	19.4
Orange	2.76	56.74	75.20	−24.54	2.72	11.52	7	20.3
Grape	2.50	51.42	51.70	− 0.53	2.34	9.92	6	19.3
All Other Single Flavors	2.33	47.87	47.00	1.85	2.31	9.81	7	20.5
Pineapple-Grapefruit	1.21	24.82	23.50	5.62	1.08	4.58	2	18.5
Punches	6.13	125.88	115.33	8.58	5.28	22.41	13	17.8
All Other Combination Flavors	5.26	106.15	89.30	21.11	5.25	22.28	9	20.6
Ades & Bases	1.64	33.69	36.03	− 6.48	1.64	8.97	4	20.7
Fruit Juices	62.30	1,280.07	1,006.96	27.12	64.70	274.41	87	21.4
Apple Juice & Cider	22.18	455.65	347.79	31.01	23.96	101.61	24	22.3
Cranberry Juice	9.92	203.89	153.53	32.80	10.14	43.02	9	21.1
Grape Juice	4.49	92.16	74.82	23.22	4.67	19.82	7	21.5
Grapefruit Juice	8.37	171.98	144.13	19.32	8.11	34.40	10	20.0
Lemon Juice & Lime Juice	2.24	46.10	34.47	33.74	2.59	10.97	7	23.8
Orange Juice	2.16	44.32	48.56	− 8.72	2.28	9.66	4	21.8
Pineapple Juice	3.28	67.37	56.40	19.45	2.78	11.79	4	17.5
Prune Juice	4.31	88.65	86.16	2.89	3.87	16.40	8	18.5
Nectars	2.16	44.32	31.33	41.46	2.65	11.28	5	25.4
All Other Fruit Juices	3.19	65.60	29.77	120.36	3.65	15.48	6	23.6
Vegetable Juices	12.42	255.31	245.89	3.83	11.16	47.35	21	18.8
Tomato Juice	5.61	115.24	100.58	14.58	5.22	22.13	11	19.2
Tomato Cocktail	0.86	17.73	15.43	14.91	0.92	3.88	3	21.9
Vegetable Cocktail	5.69	117.02	123.61	− 5.32	4.75	20.13	5	17.2
All Other Vegetable Juices	0.26	5.32	6.27	− 15.14	0.29	1.21	2	22.8
All Other Canned Juices	0.52	10.64	10.97	− 3.00	0.61	2.58	1	24.2
Total	100.00	$2,064.87	$1,762.81	17.25	100.00	$424.88	182	20.6

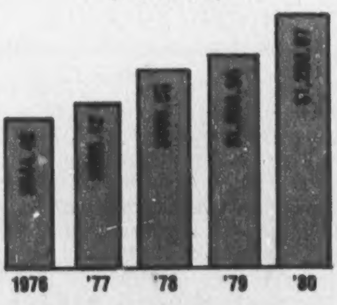
% of total store volume . . . 1.15%

keting for Tree Top. "With plenty of product available, we expect continued growth, especially with orange juice priced so high and likely to stay that way for a while."

Apple juice seems to have caught the public's eye, indeed. With a good 1981 apple crop anticipated, Tree Top, like many other manufacturers, is planning on continued expansion. "We feel the market is definitely growing, and we have long-range plans to accommodate that," says Ward, reflecting the sentiments of many producers.

Orange pales: Indeed, with big numbers on the plus side for most fruit juice products, orange emerged as the only real loser. Manufacturers attribute the 8.7% drop in sales to a severe frost last year that forced prices higher and consumers away, as well as the ongoing popularity of concentrate and chilled juice.

Climbing orange juice prices turned many consumers to the more economical powdered breakfast drinks, like Tang. This subcategory bounced back from a sluggish performance in 1979 to record a 20% sales growth in 1980, worth $60.3 million in supermarket sales.



Source: CSA Supermarkets

"People's desire for a natural drink is turning them to grape juice," says a Welch's spokesman. Dollar sales, which rose from $74.8 million in 1979 to $92.2 million last year—a 23.2% increase—support the statement.

One of Welch's hottest items is white grape juice. The company has geared up production to meet demand and plans to continue heavy promotion for the products.

Fruit a natural: Pineapple and grapefruit were two other fruit juice flavors that fared well last year. Again, manufacturers say the trend toward natural products is largely responsible for the 19% growth each item enjoyed.

In what may prove to be a significant new development, Ocean Spray is beginning a regional rollout this month of single-serving airtight paper containers for cranapple and grapefruit juice.

Another fruit juice that benefited from the move to cut down on sugar consumption and drink all-natural products was cranberry juice. This $203 million subcategory enjoyed a sales rise of nearly 30%. Similarly, lemon juice and lime juice notched sales increases of 33% in 1980.

Nectars, too, rode the natural wave to a strong 1980 performance. A small base item, growth was nonetheless an impressive—and category-leading—41.5%. Sales hit $44.3 million, up $13 million from 1979.

"People are becoming aware of the medical benefits of nectars, and it gives them more options when juice shopping," says a leading manufacturer.

Fruit-flavored sours: The flip side of this rosy picture is the poor performance of fruit-flavored drinks, which represent over 20% of department sales.

Sales in this $414 million category grew a meager $12 million. The reason? "If the can doesn't say 'natural,' or had 'added' or 'fortified' on it, it's on the way out," explains one retailer from Oregon. Adds another, "With the rising prices of these drinks, consumers are looking for, and finding, alternatives."

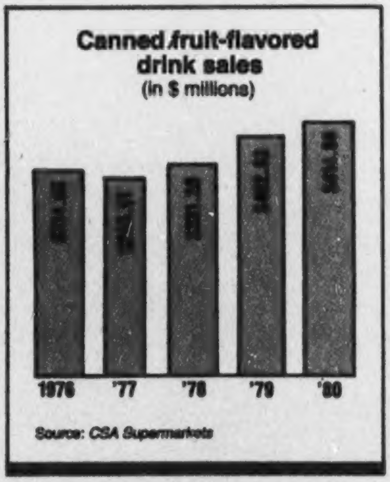
The closest thing to a bright spot in nonnatural items was punch, like RJR's Hawaiian Punch. Extensive media campaigns, complemented by the public's perception that the 10% juice content makes them a better value than soft drinks, helped punches eke out an 8.6% sales rise.

Not suprisingly, the trend toward organic hurt ades and bases. Sales dipped 6.7% in 1980.

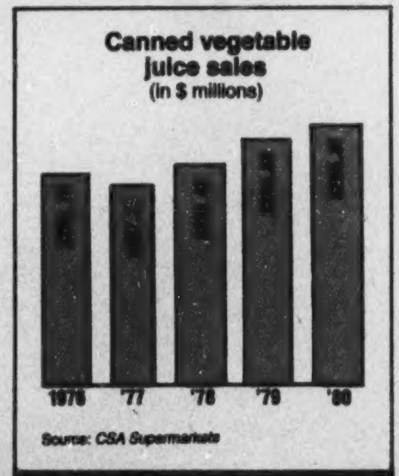
Fruit-flavored grape drink, unlike its natural counterpart, which had a strong year in 1980, saw sales stay just about even.

Nineteen-eighty was a mixed year for vegetable juices. Tomato juice failed to capture the imagination of the health-minded consumer, but nonetheless rebounded from a flat 1979 and rode a tight produce market to a 14.6% sales gain. Tomato cocktail enjoyed about the same growth. But vegetable cocktails and all other vegetable juices failed to capitalize on the natural-oriented tide, falling off 5.3% and 15.1% in sales, respectively.

For 1981 and beyond, manufacturers and retailers agree that with the natural foods trend becoming ever more entrenched, fruit juices should continue their steady growth, while fruit-flavored drinks will be battling to retain their market share. ☐



Source: CSA Supermarkets



Source: CSA Supermarkets

Unit Movement

The following chart shows each canned juice category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Powdered Breakfast Drinks	25	1.59
Fruit Flavored Drinks	398	25.33
Orange	55	3.50
Grape	57	3.63
All Other Single Flavors	47	2.99
Pineapple-Grapefruit	24	1.53
Punches	113	7.19
All Other Combination Flavors	102	6.49
Ades and Bases	17	1.08
Fruit Juices	847	53.88
Apple Juice and Cider	264	16.79
Cranberry Juice	98	6.23
Grape Juice	54	3.44
Grapefruit Juice	139	8.84
Lemon Juice & Lime Juice	37	2.35
Orange Juice	36	2.29
Pineapple Juice	48	3.05
Prune Juice	62	3.94
Nectars	67	4.26
All Other Fruit Juices	42	2.67
Vegetable Juices	277	17.62
Tomato Juice	126	8.02
Tomato Cocktail	16	1.02
Vegetable Cocktail	129	8.21
All Other Vegetable Juices	6	0.38
All Other Canned Juices	8	0.51
Total	1,572	100.00

Top-quality lines: the cat's meow

Larger sizes, quality products mark food boom; accessories fight flat sales

Breakneck sales growth and unbridled product proliferation sparked yet another year of fang-and-claw competition among manufacturers of pet food and accessories for limited supermarket shelf space. This is one of the few sections that can count on automatic year-to-year sales increases based solely on population growth, and 1980 certainly perpetuated the category's long-term upward trend.

While many other product classifications limped along with only minuscule gains, the pet food department turned out to be a heartening exception to the year's indifferent performance. Buoyed by dramatic gains in sales of dry dog food and all types of cat food, the category rang up $3.96 billion worth of business last year, up 23.01% from 1979's $3.22 billion.

Canned dog food as a whole moved ahead about 9%, but real growth derived principally from the heightened popularity of larger-size packages. Although the under-1-lb. cans actually declined slightly in volume, jumbo over-1-lb. cans zoomed more than 66%, to $161.34 million.

Does this indicate a move away from the smaller cans? "I really don't think so," remarks a spokesman for one of the leading suppliers. "For example, Mighty Dog in the 6-oz. can is showing some of the best growth in the field."

Sales of dry dog food products rose across the board, but here again, the biggest gains derived from the volume expansion of larger sizes. Those hernia-inducing over-10-lb. sacks increased their sales 35.05%, soaring to $634.72 million from 1979's $469.98 million.

It is obvious that more and more dog owners are turning to the big packages. There are three excellent reasons for this:

1. Thrift. It is simply more economical to buy in large sizes.
2. Bigger dogs. Even in urban areas, more families are picking the more massive breeds.
3. Multidog ownership. If a household has a couple of dogs, economy-size packs are used more quickly and efficiently than in homes with only one pooch.

Cat food also seems to be purring along, increasing dollar volume over 1979 by almost 35%, with growth distributed pretty evenly among canned, dry and semimoist.

The most significant new entry in this category was almost certainly the addition of the "Purina 100" canned line. "Purina 100 is a value/quality oriented line that offers greater palatability and dollar value than the traditional canned specialty cat food," says B. E. Gensamer, director of product management for Purina's pet food division.

Gensamer believes there is a very clear trend in terms of canned cat food sales. "The real issue," he explains, "is the continuing decline of the large can as people look for greater value and quality. It's a case of the small can specialty type vs. the large can maintenance type. Specialty is growing and maintenance is declining, and I see that trend continuing."

Kal Kan, a company that produces high-quality pet food in large and small cans, would be the brand

Pet Products: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dog Food Canned	17.47	$ 691.46	$ 634.48	8.98	16.16	$144.56	64	20.9
1 lb. & Under	13.39	530.12	537.35	− 1.34	12.44	111.33	53	21.0
Over 1 lb.	4.08	161.34	97.13	66.11	3.71	33.24	11	20.6
Dog Food Semi-Moist	7.61	301.41	293.41	2.73	6.74	60.34	28	20.0
Packaged—Under 2 lb.	1.34	53.19	23.95	122.09	1.36	12.18	8	22.9
Packaged—2 lb. & Over	6.27	248.22	269.46	− 7.87	5.38	48.15	20	19.4
Dog Food Dry	25.03	991.09	764.50	29.64	20.59	184.18	69	18.6
Under 10 lb.	9.00	356.37	294.52	21.00	7.89	70.56	28	19.8
10 lb. & Over	16.03	634.72	469.98	35.05	12.70	113.62	41	17.9
Cat Food	33.99	1,345.88	1,001.06	34.45	32.09	287.09	118	21.3
Canned	20.82	824.43	640.74	28.67	19.82	177.25	70	21.5
Dry	10.12	400.89	274.16	46.18	9.00	80.54	33	20.1
Semi-Moist	3.05	120.56	86.16	39.93	3.27	29.30	15	24.3
Dog/Cat Candy & Specialties	6.63	262.49	181.73	44.[illegible]	8.1[illegible]	72.[illegible]	42	27.8
Bird Food	1.75	69.18	62.66	10.[illegible]	2.63	26.21	9	37.9
Pet Non-Food Items	6.94	274.81	261.86	4.[illegible]	12.67	108.[illegible]	79	39.3
All Other Pet Food	0.58	23.05	18.80	22.61	1.29	11.49	11	49.7
Total	100.00	$3,960.65	$3,218.50	23.01	100.00	$884.77	429	22.6

% of total store volume . . . 2.22%

most likely to come up against the maintenance brands head to head. Yet it reports that its large-can sales are holding up quite well.

"The generic customer is *not* the Kal Kan customer," says company spokesman Al Wisneski. "Our customer is willing to pay more for nutritional quality."

It also seems likely that pet owners are supplementing purchases of dry pet food with high-quality canned meals. Even so, the economy brands still take up shelf space, and that seems to be this industry's main bone of contention.

Product growth: "There always has been, and there always will be, more products produced than can fit on available supermarket shelf space," says an industry source. "But the brand proliferation in this field is just incredible. The dog food manufacturers alone seem to come up with a new brand every week!"

Still, pet food manufacturers remain optimistic. "Lack of shelf space has been a traditional problem in this field," notes Purina's Gensamer. "But given the profit importance of this category, the potential for future growth looks very good."

Accessories: The question remains, however, at whose expense will this continued growth occur? Pet food suppliers have begun casting covetous glances at the pet accessories section. This category notched slight gains in 1980, but a spokesman admits they are struggling against flat sales.

Pet accessories have traditionally been sold from end-aisle sections that, while considerably smaller than the pet food space, is nonetheless considered a prime location.

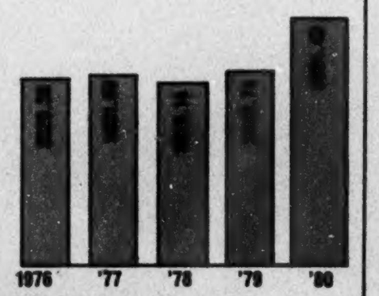
"It's getting harder and harder to hold on to shelf gondola space," concedes Bob Murray, national sales manager for Con Agra's pet accessories division, "but we have no intention of giving it up without a fight! The island end space is highly visible and easy to service," says Murray, eliminating any thought of the category meekly surrendering choice facings to the burgeoning pet food sector.

Bird food: Beyond dogs and cats, meanwhile, 1980 saw the virtual rebirth of the bird food business that had been all but wiped out in previous years.

"Several years ago," recalls Con Agra's Murray, "the U.S. Government imposed some very strong restrictions on bird breeders. At the time, this was essentially a South American cottage industry. They declared quarantine periods and generally hassled the breeders right out of business. It took several years for the pet market to build up alternate supply sources, many of them local, and now they seem to be coming back quite strongly."

"This industry is all cycles," an expert in the field comments. "Big dogs, small dogs. It's all just cycles." And for the present, the only indisputable pet department trend seems to be continued expansion. ☐

Canned cat food sales
(in $ millions)



Source: *CSA Supermarkets*

Suppliers shower supers with deals

The 'cola war' is hurting some small suppliers, but promos fuel sales gains

The "cola war" still blazes, and neither combatant is showing any signs of crying uncle. After nearly a half-decade of particularly fierce interbrand competition between Coca-Cola and Pepsi-Cola for supermarket sales supremacy, the issue remains very much in doubt.

Although Coke has long maintained a sizable overall sales lead over Pepsi—24.3% to 17.9% in 1980—the two beverage behemoths are locked in a virtual dead heat when it comes to the nation's food stores. Pepsi rode its potent "Take the Pepsi Challenge" to the top of the supermarket soft drink heap in early 1977, when its 21.9% food store share-of-market narrowly nosed out Coke's 21.7% slice.

The Pepsi challenge is still reportedly making converts for Pepsi, but that didn't prevent its supermarket share from eroding over the last three years. Coke pulled virtually even with Pepsi during last year's third quarter, but the Purchase, N.Y., supplier claims that its flagship label reclaimed the lead at the tail end of 1980 and is still in first place.

The most obvious effect of the so-called "cola war" is that it has, combined with some other key factors, created a climate in which frequent, deep-cutting promotions have become business as usual.

Although most manufacturers are taking profits from their low-calorie brands, they've been unusually generous with the deals and allowances over the last 24 to 36 months. "A week seldom goes by when I don't have at least two to three brands on special," notes a chain soft drink buyer headquartered on the East Coast.

These near-continuous specials have driven some of the smaller brands to the financial wall. The sale of Crush International and the more recent division of Double Cola may be only a harbinger of a whole series of mergers and acquisitions this year and next.

If soft drink consumption grows at its present rate, it will soon eclipse the popularity coffee attained in its peak years. What makes this category's record all the more impressive is that overaggressive promotion of the 2-liter PET (poly ethylene terephthalate) bottle is actually a subtle trade-down at the retail level. The 2-liter PET, at 67.2 oz., is a smaller quantity than the 6-pack of 16-oz. bottles (total: 96 oz.) or even the 6-pack of cans (total: 72 oz.).

The theory, in some quarters, is that bottlers eager to make a place for the 2-liter bottle on store shelves have actually underpriced higher-volume alternatives by too great a margin. Secondary brands sometimes went for as little as 59 cents for a 2-liter bottle, and even the major labels got down below a dollar in markets in which a half-dozen cans retail for almost twice that amount.

"The consumption of soft drinks would have grown much faster had the 2-L PET not been in the market," comments John C. Maxwell of Lehman Brothers Kuhn Loeb Research and *Beverage Industry* magazine. He believes that now that the 2-liter size is firmly established, prices will rise to the point at which 6-packs of cans and 16-oz. bottles will chart some increases in the next few years.

Supermarket soft drink sales reached $5.76 billion in 1980, though "real dollar" gains proved to be fairly small. The only package format showing appreciable sales weakness was canned.

(Note: This year's Sales Manual figures for the soft drink subcategory are extensively revised in light of more accurate store-door-delivery data. Thus, the chart that accompanies this article should not be used as a guide when comparing 1979 to 1980 performance.)

Soft Drinks: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Carbonated Soft Drinks	**88.06**	**$5,762.15**	**$3,916.53**	**47.12**	**88.88**	**$1,646.78**	**74**	**28.6**
Bottled, Regular	51.23	3,350.91	2,099.26	59.62	52.99	981.82	27	29.3
Canned, Regular	16.53	1,081.51	1,159.29	−6.70	15.94	295.29	16	27.3
Low-Calorie	20.32	1,329.73	657.98	102.09	19.95	369.67	31	27.8
Soft Drink Beverage Mixes	**8.64**	**565.57**	**491.92**	**14.97**	**8.12**	**150.45**	**55**	**26.6**
Powders, Presweetened	6.34	414.87	361.89	14.64	5.75	106.60	42	25.7
Powders, Regular	2.30	150.70	130.03	15.90	2.37	43.85	13	29.1
Ice Bars	**0.15**	**9.69**	**6.27**	**54.55**	**0.18**	**3.31**	**2**	**34.2**
Syrups	**0.16**	**10.64**	**7.83**	**35.89**	**0.12**	**2.25**	**2**	**21.1**
Nonalcoholic Cocktail Mixes	**1.43**	**93.63**	**77.54**	**20.75**	**1.28**	**23.63**	**12**	**25.2**
Powdered	0.10	6.33	5.43	16.57	0.10	1.80	6	28.5
Liquid	1.33	87.30	72.11	21.07	1.18	21.83	6	25.0
Bottled Water	**1.54**	**101.06**	**70.50**	**43.35**	**1.42**	**26.35**	**8**	**26.1**
Total	**100.00**	**$6,542.74**	**$4,570.50**	**43.15**	**100.00**	**$1,852.77**	**153**	**28.3**

% of total store volume . . . 3.66%

More metric sizes have invaded this category. Some bottlers are replacing the 1-qt. glass bottle with 1-liter PET containers. Retailers report spotty results for the new size, and numerous market areas are taking a wait-and-see attitude about the 1-liter bottle.

The next new size likely to make a big splash is the 0.5-liter (16.9-oz.) bottle. It made its debut during 1980, courtesy of Mid-Ohio Coca-Cola Bottling Co. It could be available in more than 30 major cities coast to coast by the end of 1981. It is likely to have the greatest impact in supers that sell single bottles out of a cooler and in convenience stores.

Flavors in favor: Colas have increased their hold on total soft drink sales, but flavors are outpacing the rest of the category in supermarkets. Among the companies logging better than average food store sales gains are Crush International, Canada Dry (especially the club soda), Cadbury-Schweppes, A&W and Shasta.

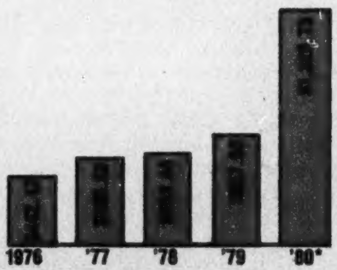
Benefiting most visibly from the new vogue for non-colas is Dr. Pepper. Both its regular and sugar-free varieties are now among the "top 10" brands, and original Dr. Pepper has reportedly eased past 7-Up into third place.

Bottled water: Supermarket sales of bottled water surpassed the $100 million mark for the first time on the wings of a 43.35% sales jump. Interestingly, imported water volume decreased during 1980, as domestic alternatives got a major marketing push.

Within the import group, waters from France suffered at the expense of brands like Montclair crossing the border from Canada. A strong campaign by Canada Dry featuring Louis Jourdan also had a measurable effect.

Per capita bottled water consumption rose modestly in 1980, moving up almost 7% to approximately 1.6 gal. per person.

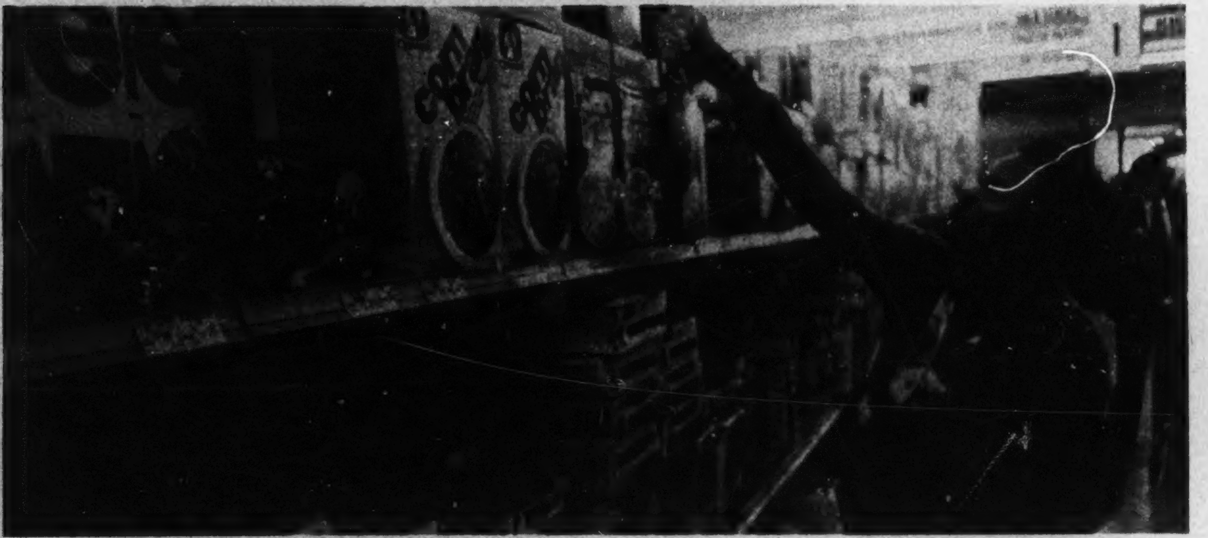
Low-calorie soft drink sales
(in $ millions)



*Increase partially due to correction of data
Source: *CSA Supermarkets*

Powdered drinks rebounded nicely, although most of the double-digit gains can be ascribed to the effect of inflation. Still, consumption rose to 6.1 gal. per capita, almost back to the peak of 6.3 gal. notched two years ago.

Generics sputter: Many chains field generic soft drinks, usually colas, but "no frills" hasn't scored the same degree of success in this category as it has attained in others like paper goods. The price differential isn't there a lot of the time, thanks to the steady promotion of leading brands, so shoppers are tending to give generic soft drinks a skip. ☐



Cereals wake up to adult market

Manufacturers are wooing adult shoppers with high-fiber, nutritious entries

Not long after World War II, American mothers began producing children at a prodigious rate. Those tykes are grown now and fill the widest section of the demographic bell curve. And where they have gone, cereal makers have followed.

"There's no doubt that the numbers point to fewer children and more older people in the future. Of course, we're not going to write off the kids—they're still a big part of our business—but obviously we're going to place more emphasis on the adult market," says Kathy Rand of Quaker.

So cereal makers are diving into a competitive battle for grown-up breakfast eaters through the introduction of a wide variety of nutritious, high-fiber cereals.

But manufacturers are after an evolving, undefined market which, as a whole, seldom takes the time to eat breakfast. Looking at figures, and judging by the positive reports of manufacturers, 1980 was a good year for ready-to-eat cereals. But numbers, and company officials, don't always tell the whole story.

CSA research shows a nearly 30% sales gain for cereals. However, take into account the ubiquitous specter of inflation—especially in light of the tremendous rise in sugar prices—and suddenly the picture isn't quite so bright.

Life after adolescence: Nevertheless, cereal makers are aggressively going after a market they are confident is there.

Kellogg, the pre-eminent force in the category, followed its own lead in 1980 in search of the postadolescent consumer. Two years ago, the company introduced Honey and Nut Corn Flakes and Most, both high-fiber cereals. Both performed well. Last year it added Raisin,

Breakfast Foods: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	[illegible] Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of [illegible]	% of Dept. Gross Profit	[illegible] Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Cereal	81.74	[illegible]	$1,[illegible].44	[illegible]	79.11	[illegible]	163	18.6
Breakfast Additives	16.26	[illegible]	443.36	[illegible]	18.64	[illegible]	58	22.0
Toaster Pastries	2.00	[illegible]	66.00	[illegible]	2.25	[illegible]	14	21.0
Total	100.00	[illegible]	$2,[illegible]	[illegible]	100.00	[illegible]	235	19.2

% of total store volume . . . 1.63%

Breakfast Cereals: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	[illegible] Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	[illegible] Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Ready-to-Eat Cereals	88.85	[illegible],122.2[illegible]	$1,635.54	29.70	88.35	[illegible]	135	18.6
Combo Packs	2.08	49.6[illegible]	48.56	2.2[illegible]	2.00	8.89	5	17.9
Sweetened	26.39	631.1[illegible]	487.22	29.5[illegible]	26.45	117.40	42	18.6
Hi-Protein	11.14	265.9[illegible]	231.86	14.70	10.96	48.67	13	18.3
Corn Flakes	4.90	117.0[illegible]	81.46	43.65	4.64	20.60	7	17.6
Wheat Flakes	3.79	90.4[illegible]	59.53	51.85	3.48	15.46	6	17.1
Bran & Wheat Germ	15.96	381.1[illegible]	296.09	28.70	16.05	71.28	22	18.7
Puffed Rice, Wheat, Oats	5.05	120.5[illegible]	97.13	24.12	5.19	23.09	8	19.1
Cold Oats	5.35	127.5[illegible]	87.73	45.55	4.83	21.46	5	16.8
Shredded	4.83	115.2[illegible]	68.93	67.16	4.85	21.58	5	18.7
All Other Ready-to-Eat Cereals	5.20	124.1[illegible]	94.00	32.03	5.56	24.70	13	19.9
Natural Cereals	4.16	99.2[illegible]	83.03	19.52	4.34	19.26	9	19.4
Hot Cereals	11.15	[illegible]	220.90	[illegible]	11.65	51.78	28	18.5
Oats	6.83	163.1[illegible]	133.16	22.48	6.94	30.83	14	18.9
Wheat [Incl. Farina]	2.38	56.7[illegible]	43.87	29.34	2.64	11.75	7	20.7
Hominy Grits	0.97	23.0[illegible]	20.37	13.1[illegible]	0.99	4.40	3	19.1
All Other Hot Cereals	0.67	15.3[illegible]	15.67	1.[illegible]	0.77	3.43	3	21.5
Kasha & Barley	0.30	7.0[illegible]	7.83	9.4[illegible]	0.31	1.38	1	19.5
Total	100.00	[illegible]	$1,856.44	28.54	100.00	$444.07	163	18.6

% of total store volume . . . 1.34%

Rice & Rye to the sales arsenal.

And this summer Kellogg's will demonstrate its commitment to the older breakfast eater by bypassing the test-marketing of Nutri-Grain and distributing the product, which comes in four varieties, on a national basis.

For Kellogg, 1981 marks the 75th anniversary since W. K. Kellogg created Corn Flakes, still the cornerstone of the company. In 1980 the corn flakes subcategory, far and away dominated by the Kellogg's product, posted $117 million in sales, a 43% sales rise over 1979.

Rival General Mills upped its share of the market in 1980 by 1% for a total of 23%. The manufacturer made its inroads largely on the "outstanding performance" of Crispy Wheat N Raisins, complemented by strong sales of Honey and Nut Cheerios and its old standby, Cheerios.

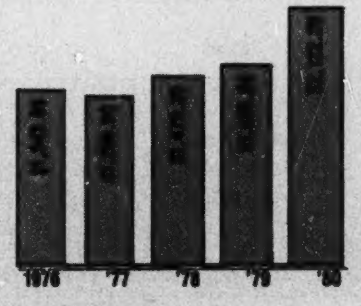
Pressing its attack, General Mills has increased promotional spending. It has also added Donutz to the cereal line, a new product now in regional distribution, and Country Corn Bran, now in test markets.

Quaker, too, is taking the high-fiber road to capture the adult consumer. Though its presweetened Cap'n Crunch remains the mainstay of its business, Quaker Corn Bran is doing extremely well.

Presweeteneds: Despite spiraling sugar costs and a shrinking market, manufacturers remain committed to the children's-oriented presweetened cereal market.

"We've found some leveling off in presweeteneds in general. They're not growing like a few years ago because parents are concerned about the amount of sugar in these products," says Quaker's Rand.

Ready-to-eat cereal sales
(in $ millions)



Source: *CSA Supermarkets*

"We were affected fractionally two to three years ago by the sugar controversy," admits Arnold Langbo, president of the U.S. Foods Division of Kellogg. But, he says, "Sales have rebounded and are as strong as they've ever been."

Whether he's being overly optimistic or not, cereal manufacturers' hopes have been buoyed by the foundering of the FTC plan to place restrictions on TV cereal commercials and the Reagan Administration's penchant for less regulation.

However, one apparent victim of anti-sugar sentiment is Quaker's Halfsies. Not suprisingly, a Quaker spokesman called the anti-sugar forces "a small, but vocal special interest group." Quaker has shelved national roll-out for the product, test-marketed last year.

Toaster pastries: While most presweetened cereals fought back, toaster pastry items, including segment leader Pop Tarts, took it on the chin.

Sales in the $58 million subcategory dove 11%. "They're an impulse item, not a basic staple, so they were affected adversely by the downturn in the economy," explains

Langbo, whose company makes Pop Tarts.

Breakfast additives suffered a similar fate. A spokesman for Carnation's Instant Breakfast, which owns a 77% market share, admits, "Sales last year were less than in 1979. There are problems with the product, like lack of top-of-mind awareness on the part of the consumer, but we still believe there's a lot of potential for the item."

Hot cereals: A tight economy traditionally turns consumers back to staples. That, coupled with the increasing number of older Americans, should have spelled good news for hot cereals. It wasn't a bad year, with sales up a solid 20%, but one manufacturer describes most of this growth as "inflationary."

A spokesman for market leader Quaker calls movement in this subcategory "basically stable. We're not experiencing an upturn because of the economy. People seem almost numb to inflation. They're still looking to convenience foods."

Quaker's had the most success with Instant Quaker Oats.

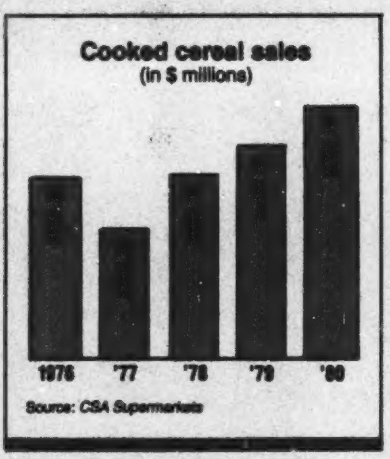
Snack bars: But by far the brightest spot in the breakfast foods category is not truly a breakfast food at all. While breakfast bars have languished on supermarket shelves in the last few years, natural-style snack bars have exploded into a booming subcategory.

Five years ago the bars didn't even exist, but in 1980 they racked up over $83 million in sales. This year manufacturers predict sales will top $120 million.

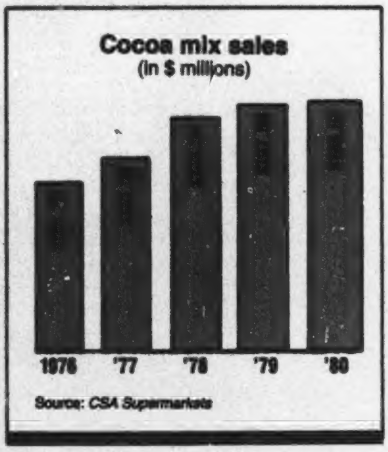
"Their tremendous popularity is because they have snack appeal—but not like most snacks, which are thought of as junk," says Ken Bertha, product manager for General Mills' Nature Valley Granola Bars. "People find the portability of the product appealing, as well as the wholesomeness of a 100% natural item."

"The biggest problem we face is space on the shelves for these products. We're the fastest-growing segment of the category and we're not sure supermarkets are giving us enough room," says Scott Rahn, vice president and general manager of Sunfield Foods, makers of Crunchola. "We may end up cannibalizing the whole section. If we had our druthers, it would be worth the risk to be somewhere else." But other manufacturers, like the makers of market leader Nature Valley Granola Bars, are content to stay associated with breakfast foods.

Indicative of the potential of these products is the growing fierceness of the competition. Besides the appearance of numerous regional brands, Quaker joined the foray this year with two new products. Nature Valley Granola Bars added four products to its line, and Sunfield bolstered its range of yogurt-added bars with Honey Baked Granola Bars to appeal to the "purist" consumer. ☐



Source: CSA Supermarkets



Source: CSA Supermarkets

Breakfast Additives/Pastries: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	[illegible]	Dollar Volume (Millions)	[illegible]	% of Dept. Gross [illegible]	[illegible]	[illegible] Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Toaster Pastry	[illegible]	[illegible]	$ [illegible]	[illegible]	[illegible]	[illegible]	14	21.6
Regular [Unfrosted]	[illegible]	[illegible]	[illegible]	[illegible]	4.27	[illegible]	7	21.7
All Other Toaster Pastry	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7	21.6
Breakfast Additives	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	48	[illegible]
Instant Breakfast [Liquid & Mixes]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8	21.3
Milk Additive—Dry	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5	18.0
Milk Additive—Syrup	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4	21.5
Cocoa & Cocoa Mixes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	26	23.2
Ovaltine & Postum	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3	22.7
Instant Breakfast [Solid]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

% of total store volume . . . 0.30%

Packers trying to hold the line

One of the best economic thermometers on a supermarket gondola is the canned meat section. The whole business is tied to the most sensitive commodities, and even minor shifts in the economy show up in the sales charts of standbys like Vienna sausages, luncheon meat and meat spreads, to name a few.

"In the near term," says Hal Goldberg of Armour Co., "we get stung quicker than anybody else."

To avoid getting stung, most of the companies involved try to play a balancing game between supplies of beef and pork, to take advantage of countercyclical production trends the two commodities exhibit.

Last year commercial production of pork topped 16 billion lb., 24% higher than 1978 levels. Largely due to the stiff price of beef, per capita consumption of pork increased 14.5 lb. over the same period.

Beef production, which was up about 1%, is still below 1978 levels, and per capita beef consumption dropped 14.3 lb. over the last two years, according to the Federal Government.

Historically, both pork and beef trends should then begin to reverse themselves. It's not happening, and that's what worries the processors. Instead, both beef and pork are headed for production drops, according to the U.S. Department of Agriculture, due mainly to higher production costs.

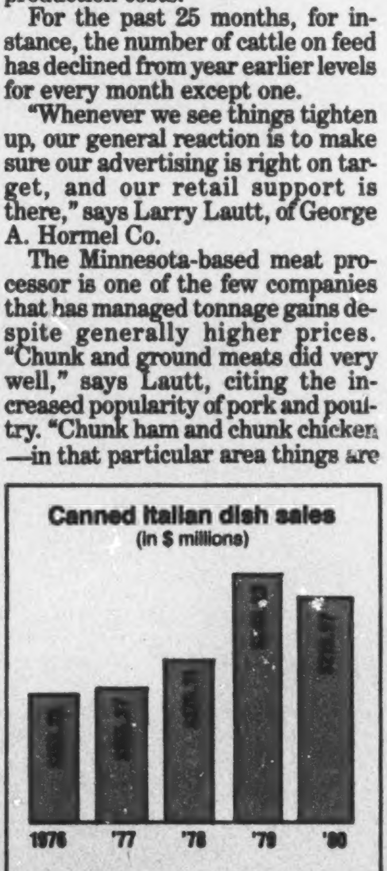
For the past 25 months, for instance, the number of cattle on feed has declined from year earlier levels for every month except one.

"Whenever we see things tighten up, our general reaction is to make sure our advertising is right on target, and our retail support is there," says Larry Lautt, of George A. Hormel Co.

The Minnesota-based meat processor is one of the few companies that has managed tonnage gains despite generally higher prices. "Chunk and ground meats did very well," says Lautt, citing the increased popularity of pork and poultry. "Chunk ham and chunk chicken—in that particular area things are just excellent."

Canned Italian dish sales

(in $ millions)



Source: CSA Supermarkets

Inflation's effect on canned meat sales seems to mimic the economy as a whole: The high and low ends increase and the middle-range products suffer the most, as cost-conscious consumers trade down and value-conscious consumers trade up.

Canned ham, for instance, is on a five-year roll, despite wide variance in price over the period. "When you pay for that canned ham," says Nick Rago of Armour, "you get 5 lb. of meat. There is no waste. And that represents value." Last year, sales shot up almost 24%.

Other middle-range categories are having their problems. Industrywide, luncheon meat, Vienna sausage and potted meats all failed to register any tonnage movement increases, although sales for some have increased on price alone.

Italian: In the specialty foods segment, Italian dishes got it from both sides, and that made sales and movement increases spotty. The long hot summer of 1980 sent wheat prices up a bushelful of money, and a firm beef market through the first three quarters conspired to put enormous price pressure on canned Italian dishes.

Mexican: The Tex/Mex portion of the specialty area is acting like there's no such thing as inflation. The category bounded forward approximately 19% and has put together a string of double-digit

Canned Meat/Specialty Foods: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Chg.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Italian Dishes	18.[illegible]	$ 212.97	$ 243.23	– 9.56	17.8[illegible]	$ 47.41	28	21.6
Spaghetti w/Meat	4.22	49.64	42.43	16.99	4.03	10.82	6	21.8
Spaghetti—All Other	3.31	39.01	42.30	– 7.77	2.81	7.53	4	19.3
Macaroni w/Meat	2.32	27.34	32.67	– 16.30	2.06	5.58	3	20.4
Macaroni—All Other	0.93	10.92	10.97	– 0.45	0.79	2.11	2	19.3
Noodles—All Types	0.53	6.16	13.13	– 52.92	0.65	1.74	1	28.1
All Other Italian Dishes	7.38	86.86	101.73	– 14.59	7.32	19.63	12	22.6
Spanish/Mexican Dishes	22.46	264.17	222.32	18.82	24.26	65.11	35	24.6
Chili—All Types	13.27	156.02	150.26	3.83	14.18	38.07	16	24.4
All Other Spanish/ Mexican Dishes	9.19	108.15	72.06	50.08	10.08	27.04	19	25.0
Oriental Dishes	14.43	166.82	140.27	18.77	16.96	42.88	31	25.2
Oriental Dinners	3.23	37.99	37.60	1.04	3.41	9.16	4	24.1
Chow Mein	3.68	43.28	34.47	25.56	3.97	10.65	8	24.6
Chop Suey	0.44	5.21	8.27	– 36.99	0.57	1.52	2	29.2
Chinese Vegetables	2.86	33.69	26.63	26.51	3.24	8.69	7	25.8
Chinese Noodles	2.41	28.37	26.63	6.53	2.71	7.26	4	25.6
All Other Oriental Dishes	1.81	21.28	15.67	35.80	2.09	5.60	6	26.3
Prepared Meat Dishes	10.99	129.42	109.66	18.02	10.28	27.38	17	21.2
Chopped Meats w/Sauce	0.90	10.64	9.40	13.19	0.95	2.54	2	23.9
Sliced Meats w/Sauce	0.75	8.86	9.40	– 5.73	0.68	1.83	2	20.6
Hash	4.67	54.96	47.00	16.94	4.36	11.71	5	21.3
Stew	4.07	47.87	40.73	17.53	3.55	9.53	6	19.9
All Other Prepared Meat Dishes	0.60	7.09	3.13	126.52	0.66	1.78	2	25.1
Prepared Poultry Dishes	1.96	23.04	25.07	– [illegible]	2.[illegible]	5.35	4	23.2
Poultry Dinners	1.20	14.16	14.10	0.57	1.20	3.22	2	22.7
All Other Prepared Poultry Dishes	0.75	8.86	10.97	– 19.22	0.80	2.14	2	24.1
Plain Meats	23.96	281.76	268.90	4.76	21.96	[illegible]	22	[illegible]
Chopped Meat	0.84	9.89	10.97	– 9.84	1.01	2.70	2	27.3
Corned Beef	4.22	49.64	42.30	17.35	3.92	10.52	2	21.2
Dried Beef	1.51	17.73	18.80	– 5.68	1.38	3.71	1	20.9
Luncheon Meat & Tongue	7.38	86.86	86.90	– 0.01	4.83	12.94	4	14.9
Vienna Sausages	3.77	44.32	47.00	– 5.69	3.75	10.06	4	22.7
Meat Spreads	3.31	39.01	36.03	8.27	3.50	9.40	5	24.1
Ham	2.56	30.14	23.77	26.80	3.12	8.38	2	27.8
All Other Plain Meats	0.36	4.18	3.13	33.55	0.35	0.95	2	22.7
Plain Poultry	6.48	76.24	53.26	43.15	6.92	18.57	8	24.4
Boned	3.62	42.55	25.07	69.72	3.93	10.55	3	24.8
Whole	0.30	2.55	3.13	18.42	0.29	0.77	1	21.7
Spreads	1.05	12.41	12.53	– 0.95	1.11	2.99	2	24.1
All Other Poultry	1.51	17.73	12.53	41.50	1.59	4.26	2	24.0
All Other Canned Meat & Specialty	1.06	12.41	14.10	– 11.[illegible]	1.[illegible]	2.92	4	23.5
Total	[illegible]	[illegible]	$1,[illegible].81	[illegible]	100.00	[illegible]	149	22.5

% of total store volume . . . 0.66%

growth years.

"Mexican foods have a lot going for them," says a spokesman for Ortega, a division of Heublein. "They're tasty, nutritious and fun to prepare."

Ironically, the softest area in Mexican foods is the most well-known: chili, which for years passed as the whole category, showed a flat sales growth last year because of higher processing and beef costs.

Other Spanish/Mexican dishes did a landmark business. Enchiladas, tortillas, tostados and tacos, to name a few, are becoming household words. Although many of the Mexican dishes are meat-oriented, these meals are serving as stand-ins for those using higher-priced cuts of meat.

Ortega, for instance, reported a 27% increase in taco sales. "Tacos are the cutting edge of the Mexican food growth," explains the spokesman. "It's usually the first food tried." □

Lack of promotions stalls sales

The condensed soup market spells C-A-M-P-B-E-L-L, but category sales also spell f-l-a-t.

Dollar volume of canned and dry in 1979 increased 5.56%; in 1980, 3.93%. When inflation is factored in, unit sales come up short.

Why are sales at ground zero?

"Campbell's doesn't promote enough, and they don't offer sufficient allowances—that's been our gripe for years," says a Safeway buyer.

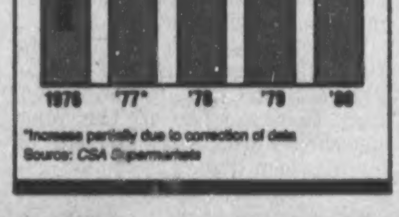
Bill Schwartz, grocery buyer-merchandiser for Foods Co., Los Angeles, adds, "There is no incentive for us to promote. Gross margins on dried soup are 14%-15%; canned, 13%-14%. When the cost of doing business is 18%-19%, why push soup? Besides, turnover isn't all that exciting."

Another "why": High interest costs have caused chains to reduce inventories. The result is that marginal sellers have been discontinued, and some items are now optional for some stores.

Yet the crying towel is showing signs of drying.

The industry has taken a leaf out of Campbell's book—and Campbell's is adding a page of its own.

Condensed soup sales
(in $ millions)



*Increase partially due to correction of data
Source: *CSA Supermarkets*

Soup as a meal: For years soup was promoted as a meal supplement. Campbell's 19-oz. Chunky started the soup-is-a-meal turnabout. When the price of Chunky passed the $1 mark (it now tops out at $1.50), Campbell's introduced the 10¾-11-oz. sizes—not only to defuse the over-$1 psychological minefield, but to target the singles, married working women and small families. Chunky thus became the fulcrum of the industrywide 15% increase in single-strength sales in 1980 (compared with a 2.3% gain in condensed sales).

The Chunky syndrome is also evident in Swift's Soup Starter which adds "home-made" to the merchandising brew. National distribution started in the fall of 1978 with five varieties; a year later, two more were added.

Soup Starter rewrote the book on two counts. First, although it started at 99 cents, the ticket went to $1.29-$1.32 after two price increases. A Swift executive says that before each increase, "We tested for price sensitivity, and response was favorable each time."

Second, Soup Starter is of questionable convenience because it requires the addition of 1 lb. of meat or 1½ lb. of chicken, and takes 90 minutes to cook. A Swift exec says, "It depends on how you define convenience. We feel it's convenient to put it on the stove and ignore it for 90 minutes."

More recently, two advocates of soup-is-a-meal have entered the fray with heartier formulas: Nissin's Hearty Cup O'Noodles and Lipton's Cup-a-Soup Country Style.

"Funny thing," a West Coast buyer notes, "but Hearty Cup O'Noodles isn't doing as well as expected—the original has been so well accepted that many consumers won't switch."

Another appeal to the spoon-and-fork brigade, Campbell's semicondensed Soup for One, has stubbed its sales toe. Explains a veteran merchandiser, "Semicondensed is confusing to the consumer. Some use it full strength, but it's too thick, while others add a full can of water or milk—and it's too thin."

An offshoot of thicker soup is crisper texture. Campbell's is test-marketing two varieties of Crispy Soups in the Southwest, and if successful they will go national by year-end.

Campbell's awareness of the changing marketplace is evident on three diverse fronts:

- The theme of its new West Coast radio commercials: "Soup is Good Food," which emphasizes nutrition.
- The introduction of Oriental soups in the fall of 1980 (Beef Teriyaki, Won Ton, Oriental Chicken) in conventional 10¾-oz. cans, designed to skim sales from dry Oriental noodle soups.

"We've been looking at ethnic soups for years," says a Campbell's spokesman, "but the Nissin-type Oriental noodles accelerated our timetable."

- The switch from 48-case packs to 24's for a half-dozen slower Campbell's movers, aimed at making inventories more manageable.

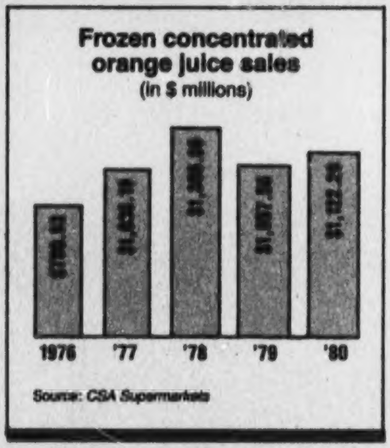
Despite the encroachment of dry, Campbell's is keeping it in the can. Their rationale: They can do it better because of better quality—regardless of packaging. ☐

Canned & Dry Soup: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Soup Mixes	12.89	$ [illegible]	$ 207.10	[illegible]	15.40	$ [illegible]	22	24.2
Noodle	4.93	83.19	80.73	3.05	5.87	19.97	8	24.0
Onion	3.87	[illegible]	63.77	2.49	4.55	15.40	3	23.7
All Other	4.09	[illegible]	62.60	[illegible]	5.07	17.25	11	25.0
Bouillon Cubes	1.89	[illegible]	29.77	[illegible]	2.48	[illegible]	9	26.4
Individual Dry Soup Mixes	6.30	[illegible]	109.30	– [illegible]	7.67	[illegible]	23	24.2
Single-Strength Soups	13.13	[illegible]	192.69	[illegible]	13.29	[illegible]	24	20.4
Condensed Soups	65.79	1,1[illegible]	1,064.76	[illegible]	61.17	[illegible]	63	18.7
Broths	3.40	[illegible]	59.47	– 3.01	3.67	12.50	4	21.8
Consomme & Bouillon	1.27	21.41	20.97	2.10	1.34	4.56	1	21.3
Cream of Chicken	3.62	[illegible]	59.77	2.07	3.59	12.20	2	20.0
Chicken Gumbo	1.46	[illegible]	25.40	– [illegible]	1.46	4.98	1	20.2
Chicken Noodles	7.37	[illegible]	128.33	– [illegible]	6.15	20.90	6	16.8
Chicken Vegetable	1.26	[illegible]	22.10	– 4.15	1.29	4.38	2	20.7
Chicken w/Rice, Stars, etc.	7.37	[illegible]	116.73	[illegible]	6.73	[illegible]	4	16.4
Tomato, Cream of Tomato Tomato Bisque	7.66	[illegible]	121.93	[illegible]	4.52	15.37	3	11.9
Tomato Rice	1.01	[illegible]	19.27	–[illegible]	1.06	3.59	1	21.0
Vegetable	4.09	[illegible]	63.90	[illegible]	4.10	[illegible]	5	20.2
Vegetable Beef	3.67	[illegible]	59.77	[illegible]	3.39	[illegible]	2	18.6
Vegetarian Vegetable	1.54	[illegible]	25.67	[illegible]	1.35	[illegible]	1	17.7
Minestrone	1.10	[illegible]	16.40	[illegible]	1.25	[illegible]	1	22.8
Bean—All Types	1.43	[illegible]	24.10	[illegible]	1.51	[illegible]	1	21.3
Beef	1.45	[illegible]	25.10	[illegible]	1.64	[illegible]	2	22.9
Beef Noodle	1.12	[illegible]	17.83	[illegible]	1.24	[illegible]	2	22.4
Clam Chowder	2.90	[illegible]	46.03	[illegible]	3.10	[illegible]	4	21.5
Mushroom—All Types	6.69	[illegible]	107.83	[illegible]	5.87	[illegible]	4	17.7
Pea	1.75	[illegible]	27.23	[illegible]	1.76	[illegible]	2	20.3
Turkey—All Types	1.12	[illegible]	17.40	[illegible]	1.17	[illegible]	1	21.0
All Other Condensed Soups	4.52	[illegible]	79.53	[illegible]	4.98	[illegible]	14	22.2
Total	100.00	[illegible]	$1,623.62	[illegible]	100.00	[illegible]	141	20.2

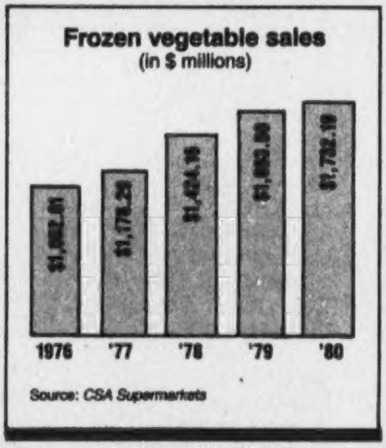
% of total store volume . . . 6.95%

Economy gives sales cold shoulder



Frozen concentrated orange juice sales
(in $ millions)

Source: CSA Supermarkets



Frozen vegetable sales
(in $ millions)

Source: CSA Supermarkets

The frozen food category celebrated its 50th birthday in 1980, but a rather lackluster sales year robbed the silver anniversary of much of its joy.

In 1980, many retailers experienced an unpleasant feeling of *déjà vu* with regard to the performance of the frozen food department. After adjusting for the effect of inflation, sales expansion in this key supermarket category was virtually nonexistent. Unit movement, which is often a truer barometer of growth, actually declined or at best remained static for most major subcategories.

Total frozen food sales reached $11.49 billion in supermarkets in 1980, a 12.95% gain over the previous year's total of $10.17 billion. And while frozen entrees, meat and unprocessed poultry chalked up sizable gains, important product groups such as seafood, prepared items and bakery products suffered a troublesome year.

If this all seemed a familiar story to supermarket operators, it's because most of them have been there before. For approximately 18 months during the mid-1970's, the heretofore seemingly inevitable sales climb of the department halted with a sickening lurch. High inflation and soaring prices for ingredients used in prepared frozen food dishes sent retails soaring into outer space. The same budget-conscious shoppers who turned up their noses at expensive meat cuts also began giving the frozen food cabinets a wide berth.

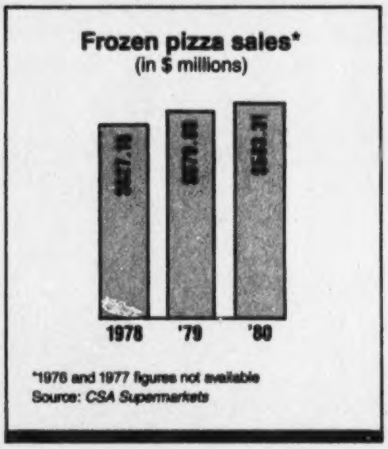
Inflation-inspired sales gains masked the problem at first. Few manufacturers or retailers realized the need for urgent corrective action. Plummeting unit movement became obvious all too soon, however. Abruptly, once-dynamic frozen food subclasses like entrees, baked goods and prepared vegetables wilted perceptibly.

At the time, these unexpected reverses shocked many supermarketers, who had grown up with the comforting maxim "Frozen foods are recessionproof" ringing in their ears. Like so many other pieces of "conventional wisdom," this one proved to be considerably less than accurate when put to the test in the real world.

Of course, the frozen food department eventually rebounded from its mid-decade low point. Thanks to more vigorous promotional activity on the part of manufacturers, and some fine-tuning of the department's product mix by the retailers, the category has recorded moderate annual sales increases over the last five years. Hot new product lines like frozen fried chicken, deluxe pizza, doughnuts and ethnic specialties produced a lot of the excitement, but sales generally improved throughout the case.

Yet the spectre of that period of doldrums still haunts the frozen food aisles. And it's probably a healthy thing for the category that it does, too. Nowadays, no one takes this department for granted.

Frozen pizza sales*
(in $ millions)



*1976 and 1977 figures not available
Source: *CSA Supermarkets*

This has made frozen food suppliers and supermarket operators much more responsive to the changing needs of the marketplace than was previously the case.

The Frozen Food Festival 1981, a nationwide event that took place during the four-week period ended March 6, 1981, vividly illustrates today's pro-active approach to this key perishables section. Simultaneously staged in the 100 most important market areas in the country, the $30-million extravaganza turned out to be the largest promo ever mounted in support of the category. A total of 46 packers offering 64 brands took part in the landmark campaign.

Some of the highlights of the festival were:

- A consumer sweepstakes. More than 1.2 million entries contested for the grand prize of $100,000.
- A high-powered advertising and promotional campaign. This concerted effort generated more than 100 million pages each of advertising and editorial material supporting the frozen food category.
- A 57% upsurge in the amount of frozen food advertising. This drive pushed frozen foods' share of retail ad linage to a hefty 11%. By comparison, the category accounted for about 7% of such space during its 50th anniversary celebration.
- A massive coupon blitz. Companies participating in the festival 1981 dropped 1.5 billion cents-off coupons and refund offers during

Thankyou BRAND
pudding treats
pudding treats
pudding treats
pudding treats

[illegible] PROOF OF
IS NOW DELICIOUSLY

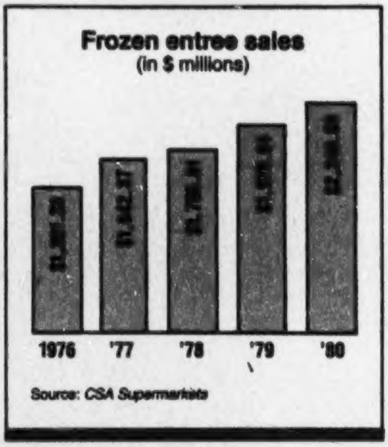
Pudding Treats. The [illegible] idea from Thank You Brand.

They're smooth and creamy, with real pudding wholesomeness your customers can enjoy by simply reaching into the freezer.

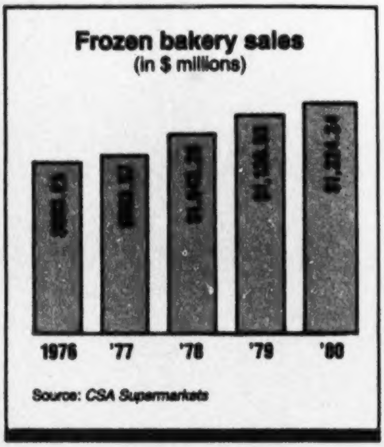
And here's the best part - they're available for immediate delivery.

Position them in the frozen dessert or novelty section. Or both. Pudding Treats will deliver new profit wherever you put them.

We're introducing Pudding Treats in chocolate, banana and vanilla flavors each as rich as our regular puddings, a flavor quality not usually found in regular frozen novelties. The convenient combination 12 pa[illegible] includes six each of chocolate and ban[illegible] six



Source: *CSA Supermarkets*



Source: *CSA Supermarkets*

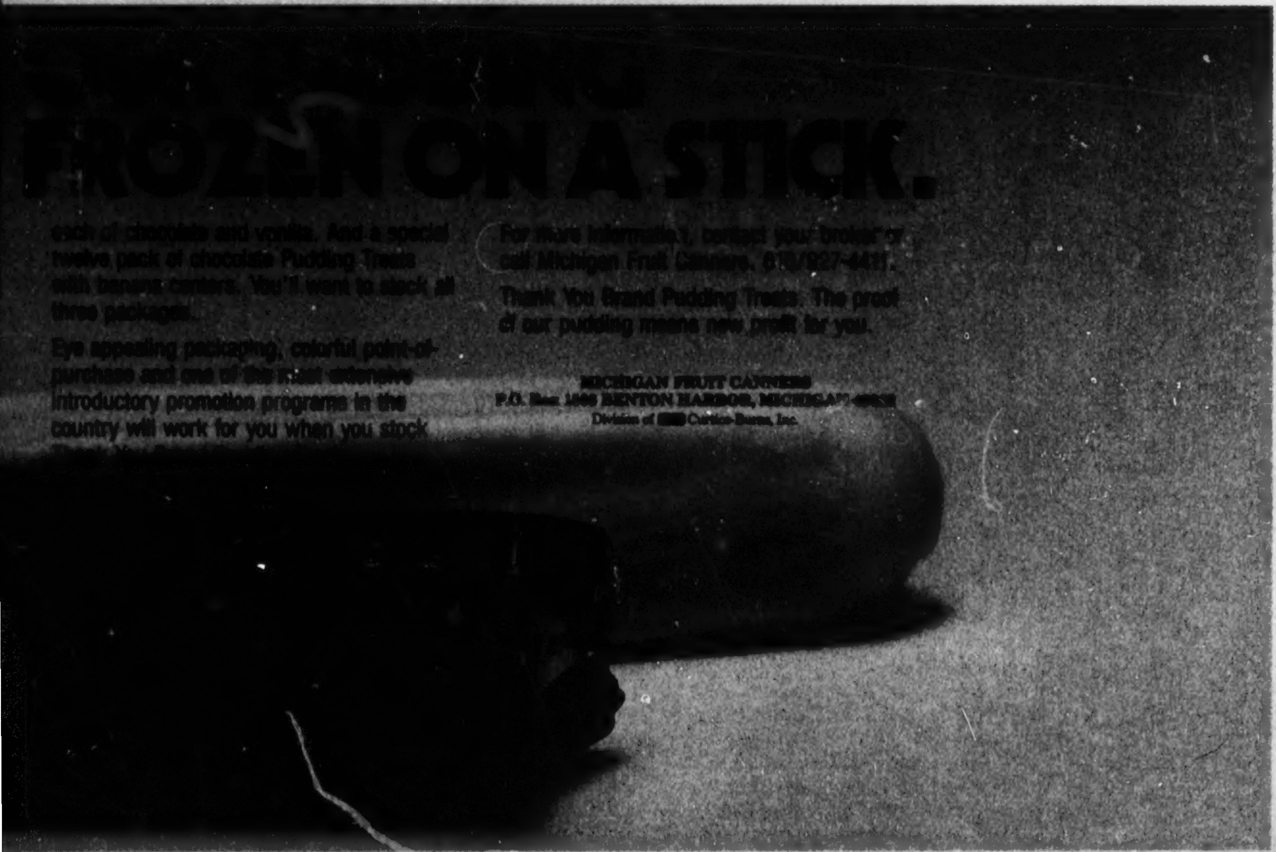
the 28 days of the campaign.

And what did this colossal expenditure of time, money and energy accomplish? Average tonnage rocketing over 21% for 14 major brands involved in the promotion, while movement tumbled 11% for a control group of similar products that did not join in the effort. The overall unit sales improvement of 0.1% registered over the festival period sounds like small potatoes, but it really isn't. During the comparable period of the previous year, unit movement had dropped more than 5%.

Orange juice: Actually, the campaign would have produced even better results if not for a sharp temporary decline in sales of frozen orange juice concentrate in the wake of the January freeze. Many shoppers stocked their freezers in anticipation of high post-freeze prices, and they were basically using up their reverse stock during the festival period.

Although most citrus industry officials concur that the early-January cold snap—the temperature got down to 8°F in Tallahassee—did $35 million-$40 million worth of damage to the year's crop, there is less unanimity about the long-term effect on consumer prices. Some assert that the destruction of as much as 20% of the crop will be strongly felt at the retail level. Others like Jack Matthews, a spokesman for the Florida Department of Citrus, contend that a huge inventory carryover, the availability of Brazilian oranges and consumer resistance will keep retails from zooming into the stratosphere. Since frozen juice is one of the subcategories that displayed solid sales performance in 1980—up 11.22% to $1.67 billion—it is unlikely that anyone would want to rock the boat too hard.

Frozen bakery products, unlike some of the other prepared items,



each of chocolate and vanilla. And a special twelve pack of chocolate Pudding Treats with banana centers. You'll want to stock all three packages.

Eye appealing packaging, colorful point-of-purchase and one of the most extensive introductory promotion programs in the country will work for you when you stock

For more information, contact your broker or call Michigan Fruit Canners, 616/927-4411.

Thank You Brand Pudding Treats. The proof of our pudding means new profit for you.

MICHIGAN FRUIT CANNERS
P.O. Box 1069 BENTON HARBOR, MICHIGAN [illegible]
Division of [illegible] Curtice-Burns, Inc.

had a poor year in 1980. Inflation-fed sales increased only 7.49% to $1.22 billion, and unit movement declined for many products. Three reasons advanced for the fall-off in baked goods volume are:

- High retail prices. Here's more *déjà vu*. Many shoppers cringe at the thought of paying some of the prices currently marked on frozen baked goods cartons.
- Competition. More and more supermarkets have added in-store bakeries in recent years, creating a potent rival for shoppers' cake, pie and bread budget. The spread of premium quality shelf products hasn't exactly helped matters.
- Weakness in doughnuts. They were all the rage just a year or two ago, but frozen doughnut volume dropped at least 10% in 1981.

"Gentle freezing": Rich Products is hoping to inject some new life into the frozen baked goods market with a new line utilizing its patented "Freeze Flo" process which it developed in the mid-1970's. The method, which the Buffalo-based companies likes to describe as "gentle freezing," yields a product that does not require thawing.

The supplier has scrapped the Mighty High brand of frozen treats it acquired from H. J. Heinz and is now trying a nine-item frozen dessert range in 20% of the United States under the Fresh 'n Ready No Thaw label. Retailing for $1.29 to $2.49, the new entries include cream puffs, cream pies, strawberry shortcake, several types of eclairs and cream cake. "Our new process is exactly what's needed to wake up the frozen baked goods section," says Michael D. Audette, product group manager at Rich. (General Foods recently became the latest packer to sign up for the "Freeze Flo" technology, gaining the rights to produce frozen beverages except concentrates exceeding 10% juice content.)

Frozen pizza is no longer racking up those astronomical year-to-year sales increases of days past, but the sales trend is still positive. Pillsbury has thundered to market dominance with its Totino and Fox brands, leading a crowded field of competitors with Jeno's at its head. Many predict a product shakeout this year, but many of the packers are well financed and not about to surrender their slice of the pie.

The pizza market share battle has

Unit Movement

The following chart shows each frozen foods category's share of total unit movement, measured in units per store per week.

Category	[illegible] Units Per Store Per Week	Share of Total Unit Movement (%)
Prepared Frozen Foods	1,257	**14.97**
Dinners, Lunches, Breakfasts	404	4.81
Pizza	313	3.73
Meat Pies	260	3.10
Other Prepared Frozen Foods	280	3.33
Entrees	1,045	**12.44**
Breakfast Entrees	165	1.96
Prepared Fish Entrees	270	3.22
Prepared Meat Entrees	424	5.05
Prepared Poultry Entrees	186	2.21
Meat Unprepared	33	**0.39**
Poultry Unprepared	678	**8.07**
Seafood Unprepared	52	**0.62**
Fish	27	0.32
Shellfish	25	0.30
Soups	3	**0.07**
Potato & Onion Products	346	**4.12**
French Fried Potatoes	216	2.57
All Other Potatoes	109	1.30
Onions	21	0.25
Vegetables	1,862	**22.19**
Special	478	5.69
Regular	1,384	16.50
Fruits & Berries	248	**2.95**
Juices & Drinks	1,754	**20.88**
Orange	1,202	14.31
Grape	89	1.06
Lemon-, Lime-, Orangeades	230	2.74
All Other Juices & Drinks	233	2.77
Bakery Products	679	**8.09**
Bread & Bread Products	177	2.11
Pies All Types	116	1.38
Cakes	202	2.41
Donuts & Rolls	81	0.96
All Other Bakery Items	[illegible]	1.23
Whipped Toppings	[illegible]	**1.64**
All Other Frozen Foods	[illegible]	**3.57**
Total	[illegible]	**100.00**

Frozen Foods: 1980 Performance—$1 Million Supermarkets

Category	Sales				Profit		Assortment	Margin
	% of Dept. Sales	Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Prepared Frozen Foods	16.08	$ 1,849.21	$ 1,712.83	7.9	16.11	$ 538.1	196	29.1
Dinners/Lunches/Breakfasts	5.08	585.0	543.17	7.7	5.01	167.3	69	28.6
Pizza	5.08	583.3	579.88	0.5	5.22	174.4	43	29.9
Meat Pies	1.54	177.3	180.75	– 1.9	1.40	46.8	13	26.4
Other Prepared Frozen Foods	4.38	503.	409.03	23.1	4.48	149.5	70	29.7
Entrees	19.58	2,249.8	1,978.64	13.71	19.3	647.5	186	28.8
Breakfast Entrees	5.11	586.8	473.12	24.0	5.11	170.77	21	29.1
Prepared Fish Entrees	5.97	686.14	589.05	16.48	5.94	198.2	78	28.9
Prepared Meat Entrees	5.26	604.5	549.88	9.9	5.10	170.4	56	28.2
Prepared Poultry Entrees	3.24	372.3	366.59	1.5	3.23	107.9	31	29.0
Meat Unprepared	2.38	273.	283.66	[illegible]	3.29	[illegible]	15	40.2
Poultry Unprepared	7.58	[illegible]	603.14	44.	6.31	210.8	75	24.2
Seafood Unprepared	1.96	224.6	254.47	– 11.7	2.06	68.5	26	30.6
Fish	0.94	107.8	136.34	– 21.0	1.02	34.11	13	31.7
Shellfish	1.02	117.0	118.13	– 0.9	1.03	34.40	13	29.4
Soups	0.16	18.7	7.83	[illegible]	0.17	5.5	5	29.4
Potato & Onion Products	3.94	452.11	414.89	8.9	4.03	134.6	37	29.8
French Fried Potatoes	2.42	278.30	255.36	9.01	2.46	82.12	20	29.5
All Other Potatoes	1.10	125.89	123.76	1.71	1.13	37.70	13	30.0
Onions	0.42	47.87	35.77	33.8	0.44	14.70	4	30.7
Vegetables	15.05	1,732.18	1,693.50	2.2	15.29	510.3	178	29.5
Special	4.88	560.28	562.41	– 0.37	5.00	[illegible]	74	29.8
Regular	10.17	1,171.9	1,131.09	3.61	10.29	343.3	104	29.3
Fruits & Berries	3.64	418.4	313.32	[illegible]	3.34	111.7	17	26.7
Juices & Drinks	14.59	[illegible]	1,506.46	11.2	14.74	[illegible]	47	29.4
Orange	9.77	1,122.28	1,097.56	2.25	9.95	332.20	16	29.6
Grape	1.08	124.15	79.90	55.38	1.07	35.87	5	28.9
Lemon/Lime/Orangeades	1.47	168.4	170.76	– 1.38	1.43	47.67	10	28.3
All Other Juices, and Drinks	2.27	260.6	158.23	64.7	2.29	76.6	16	29.4
Bakery Products	10.65	1,224.2	1,139.93	7.4	10.71	[illegible]	162	29.3
Bread & Bread Products	2.21	253.53	219.33	15.59	2.25	75.3	29	29.7
Pies—All Types	2.61	299.98	338.39	– 11.34	2.61	87.2	36	29.1
Cakes	3.58	411.53	327.42	25.6	3.63	121.34	46	29.5
Donuts & Rolls	1.02	117.5	123.76	– 5.0	1.02	34.21	20	29.1
All Other Bakery Items	1.23	141.6	130.03	9.0	1.20	40.14	21	28.3
Whipped Toppings	1.48	[illegible]	159.79	[illegible]	1.37	[illegible]	6	26.8
All Other Frozen Foods	2.90	[illegible]	186.62	78.	3.21	107.	29	32.2
Total	100.00	[illegible]	$10,174.67	[illegible]	100.00	[illegible]	965	29.1

% of total store volume . . . 6.43%

led to an intense level of promotion. It is estimated that as much as 80% of all pizza is sold on special. "I've got something on deal constantly," notes one Northeast frozen food buyer. "We're always getting something on pizza."

Although most consumers are closely watching their food expenditures, many frozen convenience items did surprisingly well last year. With more than half of all adult women now in the workforce, perhaps the time savings still outweigh the extra cost of processed products.

Multicourse dinners showed sluggish growth, and some observers feel comparment meals may have now passed their sales peak. Double-portion main dishes, like the Swanson Hungry Man line have helped maintain volume, but there is a definite turn in the direction of frozen entrees. The latter subcategory eclipsed $2 billion in sales for the first time, riding a 13.71% sales jump. Breakfast entrees showed the largest percentage gain, up over 24%.

Vegetables: One convenience product that didn't fare quiet as well as prepared vegetables. Evidently, many consumers feel they'd rather save the difference in price between prepared and regular veggies and add extra ingredients themselves. The ready availability of economical polybag packages of IQF (individually quick frozen) vegetables has also spurred that side of the business. ☐

Sesame
triscuit
Sociables
Real Cheese
NABISCO
PREMIUM

Crackers catching up with cookies

In 1980, as in the previous year, the most significant development in this supermarket category is that sales are absolutely going crackers! Crackers and biscuits, inching up on cookie volume, edged even closer to a 50-50 share. Last year, crackers accounted for almost 46% of total sales in this supermarket department.

Industry observers have developed several theories to explain the burgeoning popularity of crackers in the United States. For one thing, Americans now have a greater interest in promoting good dietary habits than at any previous time. "Our market shows a definite concern with diet and nutrition," remarks one cracker-maker. "That may well be one reason why some shoppers have cut down on sugar-rich cookies in favor of products like ours."

Inflation is another factor. The price of some commodities, especially sugar, has pushed cookie retails to the point that some former purchasers are evidently buying fewer cookies.

But the real answer may have more to do with demographic trends than with economic or health ones. Put simply, cookies are eaten primarily by children, and there are fewer youngsters in this country every year.

Higher retail prices, concerns about sugar are keeping growth of cookies in check

The children of the post-World War II baby boom are now adults, and adults are more likely to eat crackers than cookies—especially snack crackers.

The cracker and biscuit category consists of two basic types: commodity (Saltines, etc.) and snack crackers (Vegetable Thins, Snack 'n Sesame, etc.). The snack crackers have been the darling of this category, showing continued health and growth in 1980. People not only eat snack crackers at home while watching TV, but at parties, where they've become a virtual staple.

"The popularity of the snack cracker has really increased our market penetration," observes a cracker company spokesman. "I see more innovation in the marketing of snack crackers than anywhere in this category."

Cookies grow: Still, it's not exactly time to start readying a eulogy for the cookie end of the market. According to Nabisco spokesman Shashi Gurikar, "Despite the fact that the kid population has fallen off dramatically, cookie sales have *not*. In fact, they've grown. Perhaps not as quickly as crackers, but it has shown gains."

Comments a Nabisco rival, "Volumewise, cookie growth has been pretty static, but in terms of sales, we've seen a slight increase. Nothing like what we're seeing with snack crackers, of course."

Cookies, it seems, are assailed from all sides. Not only must they contend with trends in diet, social behavior and economics, but they're also facing stiff competition from in-store supermarket bakeries

Cookies & Crackers: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Cookies	54.07	$2,003.46	$1,879.93	6.57	60.70	$572.98	73	28.6
Crackers	45.93	1,702.05	1,465.50	16.14	39.30	371.06	22	21.8
Total	100.00	$3,705.51	$3,345.43	10.76	100.00	$944.04	95	25.5

% of total store volume . . . 2.07%

and the movement toward home baking. Prepackaged cookie mixes, as well as refrigerated cookie loaves and precut frozen cookies, all helped keep sales in check.

Should these trends continue, will there be a point in the near future where crackers will begin to edge cookies for precious supermarket shelf space?

First of all, space management is a problem on every level. Most corporate chains are reducing the number of stores, leading to a general reduction of shelf space. There will always be line extension, and this leads to even greater competition within categories.

Acknowledging this problem, another cracker supplier concedes, "We can perhaps foresee such a point, when cookies will be forced to make room."

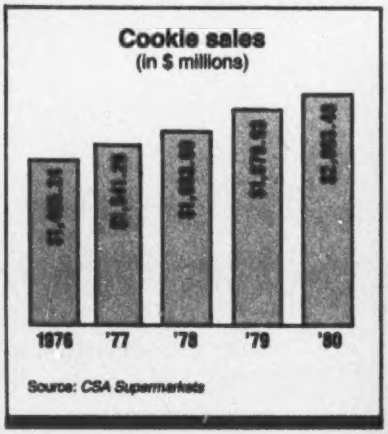
The cookie manufacturers, however, have no intention of watching their market share further deteriorate. They have begun looking toward the high end of the market in some cases with gourmet, or near-gourmet, cookies. These premium brands appeal primarily to adults, thereby circumventing the shortage of younger consumers.

Labeling rules: Another factor in the market has been the recent F.D.A. and U.S.D.A. regulations requiring mandatory percentage labeling for important ingredients, listing of ingredients in order of importance and, most significantly, sourcing of fat or oil for any food containing 10% or more total of either on a dry-weight basis.

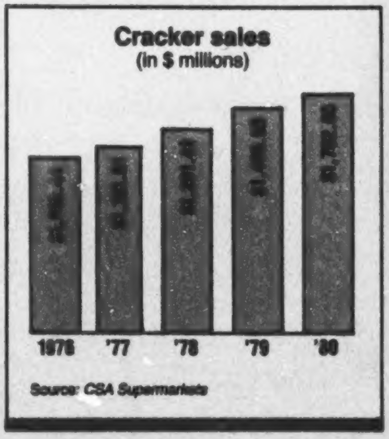
That third requirement, in particular, has drawn the ire of such industry groups as the Biscuit and Cracker Manufacturer's Association. Since many manufacturers determine the type of oil and fat to be used at any given time based on current prices—which fluctuate considerably—such labeling regulations could constitute a genuine hardship on the industry.

Some companies, however, feel they've benefited from the Government's action. Sunshine, for example, made the move in 1978 to all vegetable shortening, something they make no attempt to hide in their packaging. As a result, they feel they can continue to increase their market share over competitors utilizing varying fat/oil sources.

The successful new entries into the field in 1980 were, naturally, mostly of the snack cracker variety, such as Nabisco's Wheatsworth and Sunshine's Wheat Wafers. Both were test-marketed in different parts of the country, and were then introduced on a national level. ☐



Source: *CSA Supermarkets*



Source: *CSA Supermarkets*

Honey Graham
Honey Graham
de Park
de Park
de Park

Spices & Extracts
Spices & Extracts
Spices & Extracts
Spices & Extracts

Consumers find thyme to economize

Shoppers decided to spice up their lives last year, and in the process sent category sales soaring. Volume hit $789.04 million, up a whopping 21.42% over 1979.

All-round spices, like basil and thyme, showed particularly heavy gains—41.31% and 69.97%, respectively. These can be used in a wide variety of dishes, from appetizers to casseroles, and shoppers are taking advantage of their versatility.

"Ethnic" spices continued their upswing of the last few years. Chili powder and garlic in all forms—flakes, powder and salt—contributed heavily to the section's overall rise, reflecting the popularity of Mexican and Italian foods. Not only are the foreign dishes tasty; they also tend to be inexpensive, an important point in today's inflation-plagued market.

In fact, the economy has had a strong impact on the category as a whole. Movement of meat tenderizer dropped again in 1980, indicating that financially strapped consumers are still staying away from even the least expensive beef cuts. The jump in sales of spices used with chicken, however, shows that shoppers dining on the cheap bird several times a week are searching for ways to liven it up.

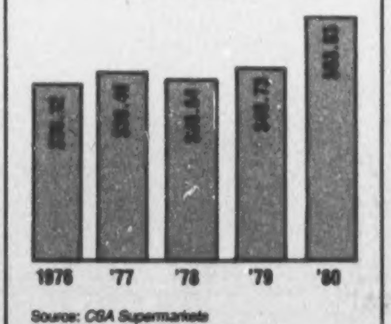
Jerry Stamper of McCormick & Co.—a category leader, along with Durkee—agrees that the sales surge is tied to the economy. "People are turning more to spices because of meat prices," he says. "They're trying to do different things."

Some of those experimenters include gourmet cooks and home bakers, who are using more and different seasonings to prepare unusual dishes for at-home entertaining. The high cost of an evening out, from gasoline to restaurant meals, should keep the cooking-in trend flourishing.

By the same token, working women, who are forced to rely more on convenience foods, may be adding their own seasonings to give these often-bland dishes a lift or adapt them to individual tastes.

Health concerns: One unusual twist in 1980 was the shift toward ordinary salt. Iodized salt has traditionally sold better than its sister product, but last year shoppers turned to the regular type. Salt sales, in general, have suffered in recent years as health-conscious Americans have come to perceive salt in a negative light. This is especially valid for the approximately 27 million people who have high blood pressure.

Increasing health awareness and the back-to-nature trend, however, may be helping the category as a whole. Many people are turning to herbs and spices as wholesome, natural food additives; some are even using them for their traditional



Source: *CSA Supermarkets*

health benefits.

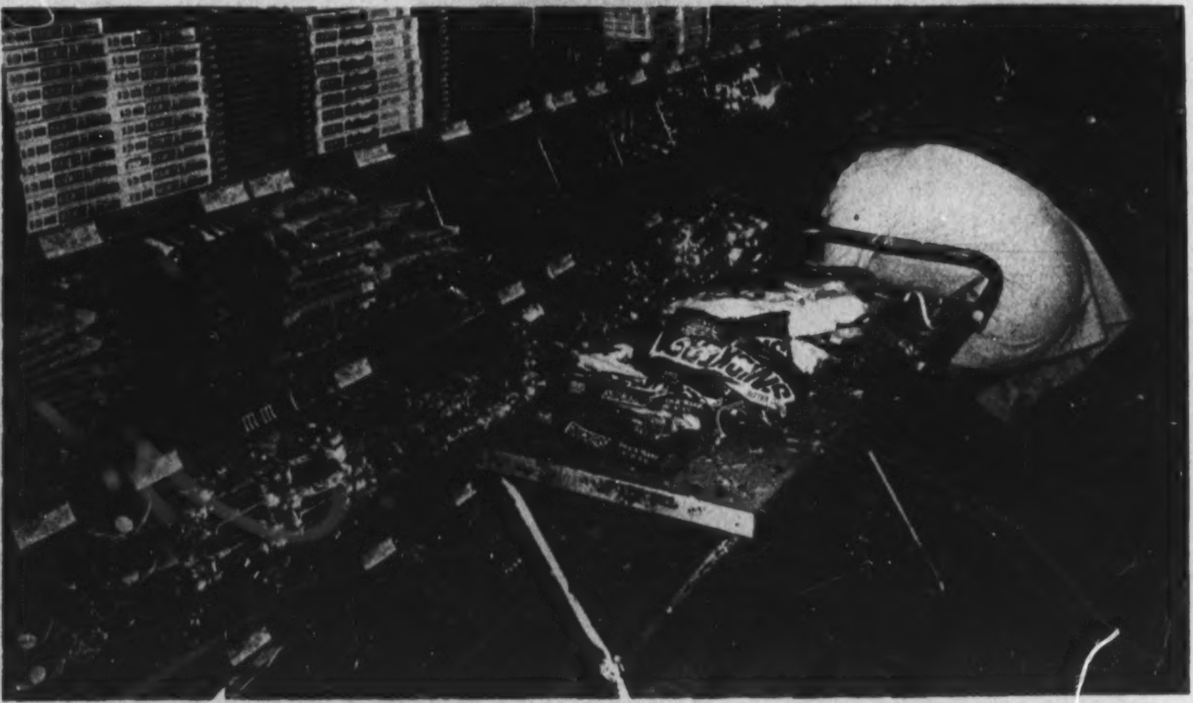
Vanilla extract was the comeback story of the year. The mainstay of the extract line, it sagged in the last few years because supply problems sent prices zooming. Manufacturers fielded imitations at lower prices, but shoppers resisted the artificial substitutes.

But 1980 saw a turnaround. The raw material is now available in greater quantities, causing prices to stabilize, reports McCormick's Stamper. Relieved consumers sent sales skyrocketing 56.71%. ☐

Spices & Extracts: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Extracts & Food Coloring	**11.23**	**$ 88.66**	**$ 62.66**	**41.49**	**10.79**	**$ 27.82**	**27**	**31.4**
Lemon Extract	0.45	3.55	3.13	13.42	0.52	1.34	1	37.7
Vanilla Extract	8.09	63.83	40.73	56.71	7.30	18.83	7	29.5
All Other Extracts [Incl. Grenadine & Bitters]	2.02	15.96	12.53	27.37	2.26	5.83	16	36.5
Food Coloring	0.67	5.32	6.27	− 15.14	0.71	1.83	3	34.4
Pepper	**11.69**	**92.20**	**90.86**	**1.47**	**10.99**	**28.32**	**16**	**30.7**
Black	10.34	81.56	81.46	0.12	9.43	24.30	12	29.8
White	0.45	3.55	3.13	13.42	0.54	1.39	1	39.1
Red/Cayenne	0.90	7.09	6.27	13.08	1.02	2.63	3	37.1
Whole & Ground Spices	**15.06**	**118.79**	**101.84**	**16.64**	**17.27**	**44.56**	**33**	**37.5**
Cloves	1.80	14.18	12.53	13.17	2.05	5.29	2	37.3
Cinnamon	3.82	30.14	25.07	20.22	4.41	11.36	4	37.7
Nutmeg	1.35	10.64	9.40	13.19	1.52	3.93	1	36.9
Paprika	2.25	17.73	15.67	13.15	2.52	6.51	2	36.7
All Other Whole & Ground Spices & Seeds	5.84	46.10	39.17	17.69	6.77	17.47	24	37.9
Leaf Spices & Herbs	**7.63**	**60.27**	**47.00**	**28.23**	**9.19**	**23.70**	**18**	**38.3**
Basil	1.12	8.86	6.27	41.31	1.34	3.46	1	39.0
Oregano	1.80	14.18	12.53	13.17	2.06	5.28	3	37.2
Thyme	0.67	5.32	3.13	69.97	0.83	2.14	2	40.3
All Other Leaf Spices & Herbs	4.04	31.91	25.07	27.28	4.97	12.83	12	40.2
Vegetable Seasonings	**16.85**	**132.97**	**108.10**	**23.01**	**18.52**	**47.75**	**28**	**35.9**
Bell Pepper Flakes	0.22	1.77	1.57	12.74	0.26	0.67	1	37.6
Parsley Flakes	2.25	17.73	15.67	13.15	2.40	6.19	3	34.9
Chopped Chives	0.45	3.55	3.13	13.42	0.52	1.34	1	37.6
Celery Flakes & Seeds, etc.	0.90	7.09	4.70	50.85	1.07	2.77	3	39.0
Onion Flakes & Juice, etc.	4.72	37.23	32.90	13.16	5.17	13.33	11	35.8
Garlic Flakes & Powder, etc.	7.64	60.28	45.43	32.69	8.34	21.52	7	35.7
All Other Vegetable Seasoning	0.67	5.32	4.70	13.19	0.76	1.95	2	36.7
Table Salt	**6.30**	**49.70**	**45.44**	**9.37**	**4.12**	**10.64**	**7**	**21.4**
Regular	2.84	22.38	20.37	9.87	1.90	4.90	4	21.9
Iodized	3.46	27.32	25.07	8.97	2.22	5.74	3	21.0
All Other Salt	**0.90**	**7.09**	**6.27**	**13.08**	**0.68**	**1.75**	**3**	**24.8**
Other Seasoning & Flavoring	**30.34**	**239.38**	**187.70**	**27.52**	**28.44**	**73.34**	**61**	**30.6**
Chili Powder	2.25	17.73	12.53	41.50	2.36	6.10	4	34.4
Garlic Salt	4.27	33.69	25.07	34.38	4.35	11.22	6	33.3
Monosodium Glutamate [MSG]	2.47	19.50	18.80	3.72	1.95	5.03	3	25.8
Seasoned Pepper	1.35	10.64	6.27	69.70	1.22	3.15	3	29.8
Meat Tenderizers	1.80	14.18	15.67	− 9.50	1.50	3.87	4	27.3
Charcoal Flavoring, Artificial Smoke	0.67	5.32	4.70	13.19	0.63	1.61	1	30.3
Seasoned Salt	6.52	51.42	36.03	42.71	6.02	15.53	10	30.2
Special-Purpose Seasonings & Seasoning Mixes	2.70	21.29	17.23	23.51	2.70	6.96	9	32.7
Cinnamon-N-Sugar	0.22	1.77	[illegible]	− 22.02	0.24	0.63	1	35.3
Horseradish [Shelf Stable]	0.67	5.32	2.13	149.77	0.66	1.64	1	31.8
All Other Seasoning & Flavoring	7.42	58.51	47.00	24.49	6.81	17.33	19	30.0
Total	**100.00**	[illegible]	**$649.87**	**21.42**	**100.00**	[illegible]	**193**	**32.7**

% of total store volume . . . 0.45%



Gambling on a sweeter image

Whenever inflation is discussed, the escalating price of certain items invariably comes up: a cup of coffee, a gallon of gas and, of course, a candy bar.

Well, that may soon change. A bold move by M&M/Mars, producer of three of the five best-selling candies in the United States, is once again giving the candy bar the reputation of a bargain.

Last November, the Hackettstown, N.J.-based company increased the size of its bars an average of 10%, applying the shift across the entire range of its products. The daring part was that it held prices at 25 cents.

Alun Jones, senior vice president, marketing, says the strategy was to generate a rise in sales volume that would counterbalance the decreased profit margin. The move succeeded admirably.

"For the year to date," says Jones, "sales are about 50% ahead. The whole confectionary market, according to SAMI [Selling Areas Marketing Inc.], was over 25% ahead. We believe we did the whole confectionary market good."

Jones compares M&M/Mars' move to similar ones taken by companies in other fields. Indeed, he points out, several supermarket chains, like Acme and Giant, took the price roll-back approach this year.

Daring move to larger-size bars without raising prices is improving sales

"We can beat inflation by selling more and creating bigger volume, thus increasing productivity, instead of just raising prices. So far, the lower profit of each of our units has been balanced out," he says.

Jones points out that between 1975 and 1978 the confectionary market was hard hit by sugar increases. Furthermore, cocoa prices have tripled in the past few years. And, of course, candy manufacturers are by no means immune from run-of-the-mill rises in the price of energy, labor and other essentials. Manufacturers reacted by raising prices.

"It was bad publicity for the industry," says Jones. "But now, the day of the shrinking candy bar is over. We're getting people to look at confectionaries and say, 'It's a darn good value.' What else is 25 cents? It really is a super value. We hope we've restored candy's image."

Jones reports that M&M/Mars intends to hold the price-and-size-line on the bars for the foreseeable future, although it has hiked prices on its 1-lb. bags of snack bars 5%, or about 10 cents. The candy company has recently started advertising the new price policy again.

Retailers are responding well to the program. "We have no means of saying what the retail price will be," Jones says, "but retailers have gone along and kept their prices at the same level." A number of supermarket chains are using M&M/Mars candies in promotions as well, he adds.

M&M/Mars claims about a third

Candy & Gum: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Holiday Specials	**4.72**	**$ 106.38**	**$ 81.46**	**30.59**	**5.24**	**$ 37.45**	**87**	**35.2**
Bar Candies	**26.16**	**589.33**	**444.57**	**32.56**	**23.53**	**168.17**	**107**	**28.5**
Large Sizes	5.74	129.43	103.69	24.82	5.13	36.63	14	28.3
Chocolate, Multi-Packs	9.77	219.85	173.71	26.56	8.38	60.02	41	27.3
Chocolate, Singles	2.44	54.96	32.44	69.42	2.60	18.58	22	33.8
Other Bars, Multi-Packs	7.08	159.57	115.93	37.64	6.17	44.04	19	27.6
Other Bars, Singles	1.13	25.52	18.80	35.74	1.25	8.91	11	34.9
Gum	**19.32**	**435.29**	**342.60**	**27.05**	**22.50**	**160.74**	**104**	**36.9**
Regular	6.95	156.51	121.64	28.67	7.97	56.97	43	36.4
Sugarless	5.44	122.62	96.09	27.61	6.35	45.37	37	37.0
Bubble Gum	6.93	156.16	124.87	25.06	8.18	58.40	24	37.4
Hard Candies	**7.01**	**157.80**	**145.69**	**8.31**	**8.31**	**59.35**	**75**	**37.6**
Roll Candies	2.05	46.10	48.56	− 5.06	2.50	17.84	16	38.7
Lollipops	1.26	28.37	26.63	6.53	1.83	13.08	14	46.1
All Other Hard Candies	2.05	46.10	43.87	5.08	2.21	15.81	29	34.3
Cough Drops	1.65	37.23	26.63	39.80	1.77	12.62	16	33.9
Peanut Candies	**4.09**	**92.19**	**72.06**	**27.94**	**3.69**	**26.37**	**23**	**28.6**
Plain & Coated, All-Chocolate	**9.04**	**203.89**	**193.27**	**5.49**	**7.80**	**55.72**	**34**	**27.3**
Plain	5.11	115.24	111.23	3.61	4.39	31.34	17	27.2
Coated	3.93	88.65	82.04	8.06	3.41	24.38	17	27.5
All Other Chocolate-Coated Candies	3.70	83.33	76.76	8.56	3.38	24.17	19	29.0
Candy Mints	**5.19**	**117.02**	**106.53**	**9.85**	**5.11**	**36.51**	**30**	**31.2**
Breath Mints	**2.83**	**63.83**	**54.83**	**16.41**	**3.44**	**24.56**	**21**	**38.5**
Caramel, Taffy, Molasses, Fudge, etc.	**3.54**	**79.78**	**62.66**	**27.32**	**3.53**	**25.21**	**26**	**31.6**
Jellies	**2.41**	**54.96**	**47.00**	**16.94**	**2.47**	**17.64**	**18**	**32.1**
Licorice	**1.26**	**28.37**	**26.20**	**8.28**	**1.20**	**8.54**	**11**	**30.1**
Marshmallows & Marshmallow Candy	**2.05**	**46.10**	**47.00**	**− 1.91**	**1.65**	**11.76**	**7**	**25.5**
Popcorn Candy & Popcorn Kernels	**5.27**	**118.79**	**81.46**	**45.83**	**4.56**	**32.55**	**17**	**27.4**
All Other Candies	**3.38**	**76.24**	**83.03**	**− 8.17**	**3.59**	**25.62**	**44**	**33.6**
Total	**100.00**	**$2,253.38**	**$1,867.12**	**20.69**	**100.00**	**$714.37**	**623**	**31.7**

% of total store volume . . . 1.26%

of the market, which means the rest of the industry will be watching this move very carefully. Its Snickers bar is the No. 1 candy entry.

Big bars: Another industry giant, Hershey Food, has turned its attention to the jumbo side of the market with its new Big Block line. The candy bars, which went into national distribution last August, weigh at about 2 oz. each. Although the line consists of variations of traditional Hershey products, company exec Mike Holmes insists they're not simply overgrown standard bars.

The formulation of the items is specifically geared to create a different kind of eating experience. "It gives a thicker bite," Holmes says. "You eat it differently."

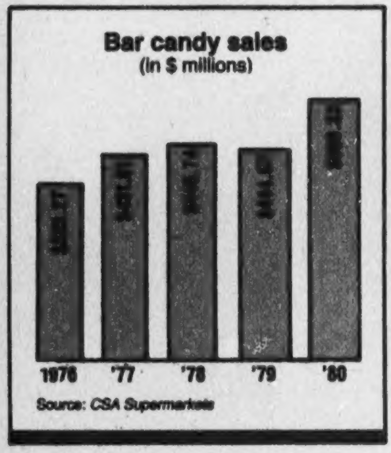
He adds that the line, which consists of versions of five top Hershey sellers—Milk Chocolate, Milk Chocolate with Almonds, Special Dark, Mr. Goodbar and Krackel—has been "spectacularly successful."

The bars, which retail for 50 cents, are "an adult-type product," Holmes says. With the population now bulging in the over-30 segment, further emphasis on the adult market may be the wave of the future.

Holmes says that so far, Hershey has been able to obtain enough high-quality peanuts to meet its needs. "It's a potential problem, but so far it's an unknown factor," he says. However, like other manufacturers that use peanuts as a key ingredient in some products, Hershey is keeping an eye on this year's crop. If it's no better than last year's, there may be supply problems ahead.

There already have been price rises due to the peanut shortage; M&M/Mars' Jones says that prices have "practically doubled," but he sees the situation as temporary.

Nutrition: Another image problem candy-makers have faced over



Source: CSA Supermarkets

the last few years is that of candy being a poor source of nutrition. As consumers became more health-conscious, many began to perceive candy as sugar-laden concoctions of empty calories.

Helen La Pat Smith of the National Confectioners Association reports some progress in reversing that image. "We have a public information program that the industry funds," she says. "We're trying to deal with the question in a scientific, forthright way. We point out that like any food, in moderation candy makes a good contribution to one's diet."

Smith believes that more media representatives as well as consumers are taking a moderate view of candy's nutritional value. "We're doing better on that score than in the past," she says.

Gum: Industry sources agree that, overall, 1980 was a relatively flat year for gum, both in terms of sales and volume. However, it looks like 1981 will be a bit better. After a rash of new product introductions at the beginning of the year, the market has quieted and now seems to be catching up.

Several subcategories have leveled off. It seems highly unlikely that liquid-center gums will show any more growth. Last year, Wrigley test-marketed a liquid-center product called Overtime, but it wasn't satisfied with the results and pulled the item.

Sugarless gum still holds about a 30% market share. Care*Free and Trident dominate the subcategory. Trident has been actively promoted, with skating whiz Peggy Fleming starring in a series of commercials that emphasize both the sugarless angle and the new, softer formulation.

Softness has been a key to success in some areas of the gum field. The introduction of the first soft bubble gum, Life Savers' Bubble Yum, about six years ago kicked off a renaissance for the subcategory. Since then, it has risen 21%-25% each year, according to industry sources.

Bubble Yum remains the No. 1 brand, but Wrigley's Hubba Bubba is closing in fast. This entry added another twist by developing a non-sticky formula.

Wrigley has taken an aggressive stance in trying to wrest the premier spot from Bubble Yum, hammering away at the competition through a "gumfighter" ad campaign.

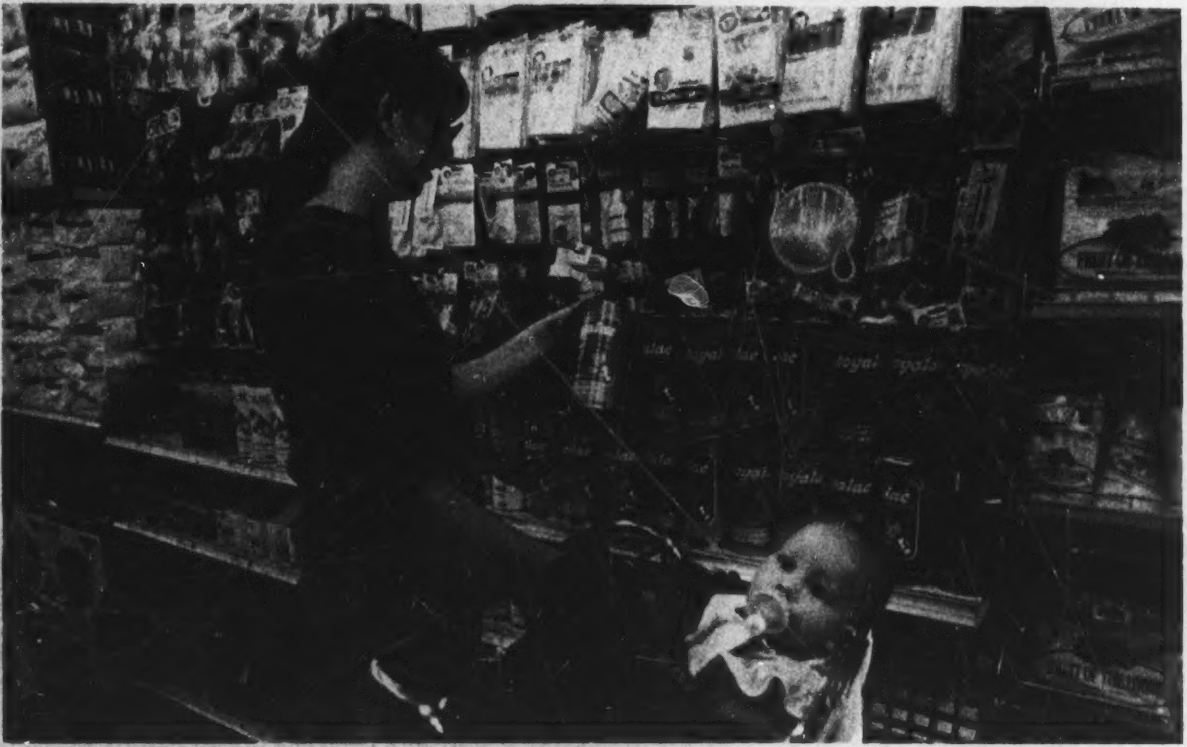
Industry observers agree that manufacturers offering more displays and emphasizing space management, along with retailers doing a better job to increase shopper activity, has aided the category. "After all, it *is* an impulse sale item," says one executive.

This year: 1981 should be an eventful one for the candy market. If other manufacturers follow M&M/Mars' lead in increasing bar size while maintaining prices, the category could change dramatically by year's-end. On the other hand, if M&M/Mars' quick start falters, it may be back to the "business-as-usual" of shrinking candy bars and expanding prices. ☐

Unit Movement

The following chart shows each candy & gum category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Holiday Specials	109	3.74
Bar Candies	639	21.92
Large Sizes	97	3.33
Chocolate, Multi-Packs	144	4.94
Chocolate, Singles	181	6.21
Other Bars, Multi-Packs	84	2.88
Other Bars, Singles	133	4.56
Gum	871	29.88
Regular	427	14.65
Sugarless	290	9.95
Bubble Gum	154	5.28
Hard Candies	269	9.24
Roll Candies	107	3.67
Lollipops	55	1.89
All Other Hard Candies	50	1.72
Cough Drops	57	1.96
Peanut Candies	80	2.74
Plain & Coated, All-Chocolate	138	4.73
Plain	63	2.16
Coated	75	2.57
All Other Chocolate-Coated Candies	68	2.33
Candy Mints	118	4.05
Breath Mints	161	5.52
Caramel, Taffy, Molasses, Fudge, etc.	84	2.88
Jellies	52	1.78
Licorice	41	1.41
Marshmallows & Marshmallow Candy	65	2.23
Popcorn Candy & Popcorn Kernels	120	4.12
All Other Candies	100	3.43
Total	2,915	100.00



Sales hold in 'wait-and-see' market

The idealized picture of a baby's world is calm, quiet and serene. Extremes of happiness or grief are absent; although change does take place, it's so gradual that one day isn't really much different than the next. In short, it's a lot like the world of baby food manufacturing in 1980.

Overall sales were up by 11.57%, just slightly more than the inflation rate. "We're just still meeting the needs of our customers," says industry leader Gerber, which characterizes the year as "stable."

Heinz's Gary Porter tells much the same story. "Things that were true in the last few years are still true," he says. Both suppliers agree that no strong new trends are developing.

However, there is also general agreement on the potential for another baby boom. Of course, only time will tell if a population explosion will actually occur, but it seems a safe bet that births will continue to increase. There were some 3.6 million babies born in 1980, up from 3.5 million in '79. "We expect the figure to hit four million by the end of the 80's," says a Gerber official.

Part of the reason for the jump is that the babies of the lengthy post-World War II baby boom have reached child-bearing years—51.9 million of them. Furthermore, it appears that many women who waited to start a family until their careers were fully under way or until they felt "ready" may have decided not to wait any longer: The number of first births among women in their early 30's is steadily rising.

Efforts to project a healthful image, possible baby boom may help sales move

'Back to natural': However, some industry people wonder if the number of births means as much to baby food sales as it once did. "It used to be a fair evaluator," says Porter, "but because of the current climate—the yearning to get back to natural foods, pediatricians' advice and other factors—it's just not correlated anymore."

There's some confusion over whether the sales dampeners of the last few years to which the Heinz executive refers will continue to be major factors in the market. It's particularly hard to predict whether the percentage of parents who make their own baby food will change—and in which direction. Since the trend toward natural foods seems to be strengthening, this may mean that more mothers and fathers will want to prepare baby's food themselves. But it's equally true that convenience is becoming increasingly important as more and more families find that both parents must work outside the home in order to make ends meet.

The answer may well turn on how successful manufacturers are in their efforts to inform consumers of

Baby Foods: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	[illegible] Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dinners, Hi-Protein	2.03	$ 15.96	$ 13.70	16.50	1.67	$ 1.45	7	9.1
Strained	0.68	5.32	5.90	− 9.82	0.65	0.56	3	10.6
Junior	1.35	10.64	7.80	36.41	1.02	0.89	4	8.4
Cereal Combinations	1.80	14.19	14.10	0.64	1.67	1.46	6	10.3
Strained	1.35	10.64	9.40	13.19	1.21	1.05	4	9.9
Junior	0.45	3.55	4.70	−24.46	0.46	0.41	2	11.4
Dinners, Regular	7.90	62.06	59.54	4.23	8.46	7.39	34	11.9
Strained	3.61	28.37	25.07	13.16	3.64	3.18	16	11.2
Junior	4.29	33.69	34.47	−2.25	4.82	4.21	18	12.5
Meats	6.77	53.19	47.00	13.17	7.98	6.97	13	13.1
Strained	3.84	30.14	28.20	6.88	4.55	3.98	7	13.2
Junior	2.93	23.05	18.80	22.61	3.43	3.00	6	13.0
Desserts	6.54	51.41	47.00	9.38	6.21	5.42	25	10.6
Strained	4.06	31.91	28.20	13.16	3.69	3.22	16	10.1
Junior	2.48	19.50	16.80	3.72	2.52	2.20	9	11.3
Soups	0.67	5.24	1.81	189.50	1.06	0.92	2	17.6
Strained	0.67	5.24	1.81	189.50	1.06	0.92	2	17.6
Vegetables	5.64	44.33	40.73	8.84	5.23	4.56	19	10.3
Strained	4.29	33.69	31.33	7.53	3.90	3.40	14	10.1
Junior	1.35	10.64	9.40	13.19	1.33	1.16	5	10.9
Fruits	8.58	67.38	68.93	− 2.25	8.76	7.65	27	11.3
Strained	5.42	42.55	42.30	0.59	5.46	4.77	17	11.2
Junior	3.16	24.83	26.63	− 6.76	3.30	2.88	10	11.6
Juices	7.90	[illegible]	50.12	[illegible]	7.96	[illegible]	15	11.2
Cereal (Dry)	3.39	[illegible]	21.93	[illegible]	3.63	[illegible]	12	12.6
Biscuits, Cookies, etc.	0.68	[illegible]	3.13	[illegible]	1.01	[illegible]	3	16.6
Formula	47.42	[illegible]	332.79	[illegible]	45.58	[illegible]	22	10.7
All Other Baby Foods	0.68	[illegible]	3.13	[illegible]	0.58	[illegible]	1	9.5
Total	100.00	[illegible]	$703.92	[illegible]	100.00	$87.36	186	11.1

% of total store volume . . . 0.44%

baby foods' nutritional value. Certainly, the major companies are making a strong attempt to reach shoppers. Heinz publishes a booklet that answers general questions about feeding babies and includes detailed charts on the nutritional content of each of its products. Another of the company's pamphlets outlines the various stages in the manufacture of baby food, emphasizing quality control.

Beech-Nut, too, is trying to get parents to associate baby food and nutritional expertise. Each Beech-Nut label now features a toll-free number consumers may call for "professional advice on infant nutrition." Even coupon fliers include content information.

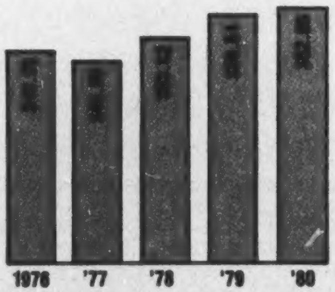
Solid food delay: One negative point that baby food companies may not be able to influence is the fact that many doctors delay putting baby on solid food. "In the short term, it's not reversible," admits Porter. "People will continue to listen to their pediatricians."

Gerber officials, however, strike a more optimistic note, and look for the "medical philosophy pendulum to swing back" in the near future.

Of course, the formula business, which now claims 47.42% of department sales, is the big beneficiary of this trend. Doctors who tell parents to keep baby on formula longer helped send tonnage sales increases into double digits again in 1980, says Ross Laboratories' Bob Brush.

The coming year may show a surge in sales of powder-type formula. Brush reports the product is growing in popularity and expanding into more markets this summer. "It's more economical for breast-feeding mothers," he explains. "Mother doesn't have to open a whole can—she can use the powder to make just one bottle." ☐

Regular dinner sales
(in $ millions)



Source: CSA Supermarkets

STREUSEL SWIRL
FLOUR

High sugar prices leave bitter taste

The nation's economic squeeze battled the changing fabric of American society last year in the diverse baking needs category, and the result was pretty much of a standoff.

Tough times usually mean good news for manufacturers producing staples like sugar and flour. Last year was no exception, and whatever strengths exist in this category's performance are largely attributable to the traditional turning back to staples to stretch grocery budgets during times of economic duress.

On the other end of this tug-of-war for disposable income, however, is the fact that the time and effort needed for baking at home makes it less and less attractive. Americans are becoming more mobile, time-conscious, nutrition-oriented and, perhaps most significantly, living in smaller family units.

Still, things could have been a great deal worse. The price of sugar reverberates throughout this category, and sugar skyrocketed in 1980. But for the most part, dedicated bakers remained faithful. "Sure the prices went up," says a Midwest retailer, "but people who bake didn't stop baking."

Last year drought and plant disease ravaged sugar cane and sugar beet-producing countries, and while the widely predicted worldwide shortage never fully materialized, commodity prices nearly doubled.

With production off, the prospect of re-escalating sugar prices is likely

Escalating sugar prices hit cake mixes hard. "It's put a tremendous pressure on our margins. We've had to increase our prices because of that. Right now the situation is more favorable, but we don't expect things to stay this way for the rest of the year," comments a leading cake mix manufacturer.

In recent months sugar prices have dropped, but curiously—and ominously—because of nonsugar factors. The speculating that created the sugar price climb has dampened because of continued high interest rates, the international strength of the dollar and the decline of gold prices.

But the sugar-price roller coaster, with all its grave implications, may start anew. Sugar production is experiencing a production deficit of about 2.4 million tons, despite a worldwide drop in consumption. As reserves are drained, price tags in supermarkets are expected to rise again.

Flour: It's an entirely different picture for flour.

Consumers weighed the convenience of commercial baked goods against the time-consuming, but money-saving, option of cooking at home. As a result, consumers chose the latter, though not by an overwhelming margin. Amber waves of grain produced 3% more tonnage last year, and supermarket sales rose 14%. However, manufacturers and retailers concede most of that increase is inflationary.

"There's growth every time the economy stumbles," says Hal Ransom, group marketing manager for Pillsbury.

"The ravages of inflation disrupt

Baking Needs: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Sugar	26.09	[illegible]	$ 621.94	[illegible]	13.25	$ 94.40	19	8.3
Granulated	21.73	[illegible]	515.41	[illegible]	8.74	62.37	8	6.6
Confectioners	1.63	[illegible]	40.73	74.12	1.76	12.48	3	17.6
Brown	2.12	[illegible]	56.40	[illegible]	2.31	16.41	5	17.8
All Other Sugar	0.61	[illegible]	9.40	[illegible]	0.44	3.14	3	11.8
Flour	12.88	[illegible]	491.91	[illegible]	12.71	90.33	30	16.1
White	8.89	[illegible]	336.82	14.75	8.70	61.84	15	16.0
Self-Rising	1.10	[illegible]	40.73	[illegible]	0.80	5.70	2	11.9
Cornmeal	1.59	[illegible]	59.53	[illegible]	1.88	13.35	6	19.3
All Other Flour	0.69	[illegible]	28.20	[illegible]	0.86	6.12	5	20.3
Unbleached	0.61	[illegible]	26.63	0.14	0.47	3.32	2	12.5
Oil & Shortening	22.99	[illegible]	918.03	[illegible]	23.74	[illegible]	52	16.9
Cooking & Salad Oils	18.38	[illegible]	704.97	[illegible]	20.02	142.33	46	17.8
Shortening	4.61	[illegible]	213.06	[illegible]	3.72	28.45	6	13.2
Baking Chocolate	[illegible]	[illegible]	33.17	[illegible]	1.47	[illegible]	[illegible]	24.6
Chips, All Flavors	5.16	[illegible]	[illegible]	[illegible]	5.38	[illegible]	[illegible]	17.0
Cocoa	0.76	[illegible]	29.77	[illegible]	[illegible]	[illegible]	2	22.0
Stuffing Mixes, Crumbs, Croutons, etc.	5.01	[illegible]	191.13	[illegible]	[illegible]	[illegible]	[illegible]	22.7
Coconut, All Types	0.94	[illegible]	[illegible]	[illegible]	1.46	[illegible]	7	26.3
Cake Frosting—Canned	1.87	[illegible]	[illegible]	[illegible]	2.44	[illegible]	12	23.9
Cornstarch	0.24	[illegible]	9.40	[illegible]	0.32	[illegible]	1	21.3
Cake & Cookie Decorations	0.49	[illegible]	[illegible]	[illegible]	1.15	[illegible]	[illegible]	[illegible]
Dry Yeast	[illegible]	[illegible]	[illegible]	[illegible]	1.19	[illegible]	1	28.1
Misc. Baking Needs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14	22.3
Cake Mixes	8.31	[illegible]	347.78	[illegible]	10.77	[illegible]	64	21.2
Angel Food	0.33	[illegible]	12.53	[illegible]	0.49	3.50	2	24.7
Chocolate & Devil's Food	2.24	[illegible]	100.26	[illegible]	3.04	[illegible]	16	22.2
Spice, Gingerbread, Applesauce	0.49	[illegible]	18.80	[illegible]	0.66	[illegible]	4	21.9
White	0.65	[illegible]	31.33	[illegible]	0.92	[illegible]	6	23.0
Yellow, Golden	1.71	[illegible]	76.76	[illegible]	1.98	[illegible]	8	18.7
All Other Cake Mixes	2.89	[illegible]	108.10	[illegible]	3.70	[illegible]	28	20.9
Other Mixes	12.10	[illegible]	441.79	[illegible]	15.83	[illegible]	81	21.4
Muffins, Sweet Breads/Rolls	2.12	[illegible]	79.90	[illegible]	2.98	[illegible]	13	23.0
Bread, Biscuits, Cornbread	2.40	[illegible]	86.16	[illegible]	2.46	[illegible]	12	16.7
Brownies, Cookies, Bars	3.34	[illegible]	115.93	[illegible]	4.68	[illegible]	21	22.9
Pancakes	1.71	[illegible]	62.66	[illegible]	2.25	[illegible]	14	21.5
Pie Crusts	0.73	[illegible]	25.07	[illegible]	1.01	[illegible]	5	22.4
Cake Frosting Mix	1.43	[illegible]	56.40	[illegible]	2.00	[illegible]	14	22.9
All Other Misc. Mixes	0.37	[illegible]	15.67	[illegible]	0.45	[illegible]	2	19.9
Total	100.00	[illegible]	[illegible]	[illegible]	100.00	[illegible]	[illegible]	18.3

% of total store volume . . . 2.44%

people's incomes, and instead of buying bread for $1 a loaf, they pay 89¢ for a 1-lb. bag of flour and make five loaves of bread. Consumers are making stuff at home they could buy prepared, and there's been a modest turning away from superconvenience foods. Flour has benefited," says another manufacturer.

Dark flours, like whole wheat and rye, were the big winners in this subcategory, reflecting the trend toward natural foods. "Tonnage was up 8%-9%, as it's been for the last five years, but remember that's off a very small base," explains a manufacturer.

Another type of flour that consumers took the time to cook at home was self-rising. Sales increased 18%, largely because of the flour's use in biscuits, and the growing number of people moving to the Sunbelt, where biscuits are an integral part of the diet.

For basically similar reasons, cornmeal flour was on the upswing last year, posting a 16% sales gain.

The market leader continues to be General Mills, with over a 50% share, followed by Pillsbury, then private labels and local brands.

Dry yeast: Reflecting the upturn

in flour's fortunes, dry yeast's sales rose by over 20% and tonnage was up around 8%. "People are fighting back against inflation by baking more, and anytime baking increases, yeast sales rise," explains Frank Goeckle, senior product manager for Fleischmann's, the market leader with approximately an 80% share.

However, Goeckle isn't terribly enthusiastic about the future. "We feel as though the yeast market is going to be flat next year," he says. "The only rise we expect is due to population growth, and that's a small factor. We feel this way because the economy apparently isn't going to get any worse, and that means people are going to be baking less."

Cake mixes: Still, Goeckle and other manufacturers are hopeful that once consumers discover the pleasures of baking, and the financial benefits, they'll stay with it.

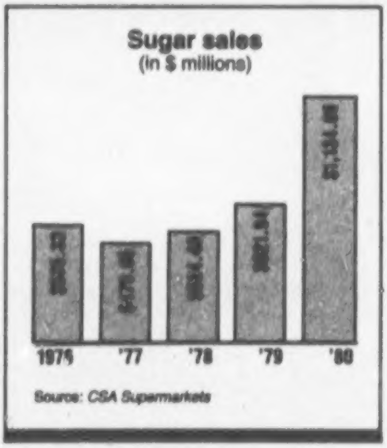
Whether they do will affect the future performance of a major bakery needs' subcategory, cake mixes.

"Overall, the cake mix market is a very mature market, and sales tend to be flat. This year things were up slightly and we're hopeful, but we're fighting a lot of trends. People aren't taking the time to bake, consumers are cutting back on their sugar intake and there are more single-person homes. These are things which over time have more and more of an impact, and frankly the general lack of growth is a result of all those things and a host of more subtle ones," explains a spokesman for a leading manufacturer.

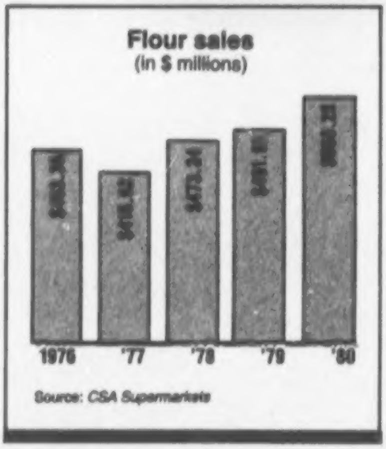
Pointing to the truth in those words, sales for cake mixes grew a meager 4% in 1980. The biggest loser was white cake mix with sales off nearly 10%. Other mixes that fell prey to the changing times were chocolate, devil's food, yellow and golden.

But there's a bright spot in the cake mix picture. Carrot cake mix, introduced last August by Pillsbury, has found immediate success, and other manufacturers are following suit.

"Sales have exceeded our expectations, and we think carrot cake is going to remain strong for a long time," says Lucy Meuwissen, group marketing manager for Pillsbury. "Carrot cake has generated so much enthusiasm and excitement that it's helped other cake mixes and created total line synergy."


Sugar sales
(in $ millions)

Source: CSA Supermarkets


Flour sales
(in $ millions)

Source: CSA Supermarkets

Meuwissen believes, as do other manufacturers, that behind the success of carrot cake is the tight money situation. Budget-stretching has led people to bake more and put greater emphasis on natural foods.

Overall, it wasn't a stellar year for cake mixes. Yet if it hadn't been for a curious anomaly, things might have been far worse. The faltering economy badly effected many nonessential items, and cake mixes could have been an ideal victim of inflation. But as Meuwissen explains, "With a tight economy people stay home more, and while they may cut back on cookies and snacks, when they want a dessert, they *really* want a dessert. They may not have a lot of money but they have the time, and baking is a way to give the family a treat that doesn't cost too much. That's helped mixes."

The market for two-layer cake mixes breaks down this way: Duncan Hines: 41%; Betty Crocker: 26%; Pillsbury: 20%; Private label: 13%.

The market for all large cake mixes is slightly different, and breaks down as follows: Duncan Hines: 38%; Pillsbury: 26%; Betty Crocker: 24%; Private label: 12%.

Oils, shortenings: In a different way, the sales of oils and shortenings also responded to changing eating habits.

With the current penchant for more nutritious foods, the sales of calorie-laden shortening fell off sharply in 1980. Dollar volume dipped 6% from 1979.

The cooking and salad oil subcategory posted a 13% combined sales gain, but the two items actually performed differently. As consumers look to lose weight, cooking oil suffers. On the other hand, the same trend has made salads an increasingly popular item and has boosted salad oil sales. ☐

Peanut crunch puts jelly in a jam

The hot dry summer of 1980 wreaked havoc on peanut butter and added to the woes of jam and jelly manufacturers, who are still trying to recover from the sugar-inspired price increases of 1974.

The unrelenting southern and midwestern skies that failed to provide their quota of rain last year hit the peanut crop hard. Peanut butter manufacturers were forced to raise their prices to unprecedented levels. One of the market leaders, Jif, hiked prices three times in 1980 for a 53% rise over preshortage levels.

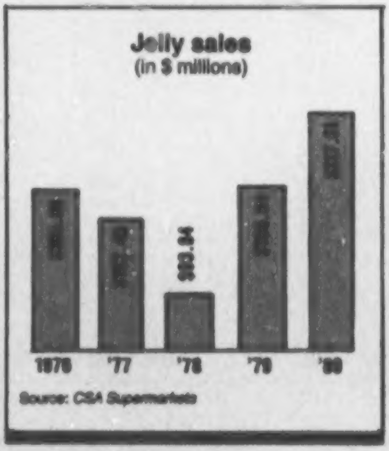
The result is rationing. "Not all sizes have been available to our customers. We've had to institute allocations, many of which are still in effect." says Don Tassone, a Jif spokesman.

The bright spot in the otherwise dismal picture is that manufacturers feel the 45% increase in dollar sales is not completely attributable to the price climb.

"We believe it means that people have stuck with us—no pun intended—through the price rises," says one manufacturer.

By all accounts, there is concern in the peanut butter industry over whether the high prices will drive people to other products. They're particularly concerned that in these tough economic times, which are ideal for a high-protein, relatively low-cost staple like peanut butter, they haven't had enough product.

"Our future depends on the crop that's in the ground now. About 4% more acreage has been allocated for peanuts, but it all depends on what happens with the weather," says Tassone.



Source: CSA Supermarkets

Jellies and jams: Eying the peanut crop closely will be jelly and jam manufacturers, who are still trying to get sales back to pre-1974 levels. With the peanut butter and jelly sandwich still an American standard, the two products remain inextricably linked.

Grape jelly sales grew 10% last year, but according to a number of manufacturers, the figure reflects cost increases, not significantly higher consumption. "Grape jelly sales and peanut butter sales go hand in hand, and you know what kind of year peanut butter had," explains a spokesman for one of the three largest jelly manufacturers.

Strawberry preserve was one of the subcategory's few winners. According to manufacturers, heavy price promotions, advertising and deals with supermarket retailers

Spreads: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Apple & Other Fruit Butters	1.06	$ 10.64	$ 10.97	– 3.01	1.15	$ 2.63	3	24.7
Peanut Butter	57.29	576.22	397.92	44.81	52.11	119.28	31	20.7
Marshmallow Spread	1.23	12.41	12.53	– 0.96	1.13	2.58	1	20.8
Jellies	11.63	117.01	106.54	9.83	13.05	29.87	24	25.5
Apple	0.88	8.86	10.97	– 19.22	1.08	2.46	3	27.8
Grape	8.28	83.33	75.20	10.81	8.99	20.58	13	24.7
All Other Jellies	2.47	24.82	20.37	21.85	2.98	6.83	8	27.5
Jams & Preserves	24.56	247.01	189.57	30.30	27.72	63.47	38	25.7
Blackberry	0.70	7.09	6.27	13.08	0.83	1.89	2	26.7
Grape	3.23	32.48	29.77	9.10	3.06	7.02	6	21.6
Peach	0.88	8.86	7.83	13.15	1.00	2.29	2	25.8
Raspberry	3.00	30.14	25.07	20.22	3.67	8.41	4	27.9
Strawberry	11.11	111.70	86.16	29.64	12.20	27.93	11	25.0
All Other Jams & Preserves	5.64	56.74	34.47	64.61	6.96	15.94	13	28.1
Marmalades	3.35	33.50	28.28	18.47	3.72	8.52	5	25.3
All Other Spreads	0.88	8.86	3.13	183.07	1.12	2.56	1	28.9
Total	100.00	$1,005.84	$748.86	34.32	100.00	$228.92	103	22.8

% of total store volume . . . 0.56%

account for the 29% sales increase.

Things could get a little rough for jams and jellies in the future. More and more, consumers are skipping the kind of lengthy breakfast of which jams and jellies are traditionally a part, and many of the buyers of these products are rapidly aging.

Syrups: Though syrups are up against the trend away from heavy breakfast foods, as well as the demographics of a shrinking youth market, sales posted a 23% gain.

Bill Atchinson, assistant product manager for Log Cabin, says tonnage is up 2% and attributes syrup's good showing to the economy. "In tough times people turn to staples, like waffles and pancakes, and syrups are a dependent market. They did pretty well, and so did we," he says.

Honey didn't fare quite so well. It is not booming like it was a few years ago; sales leveled off in 1980," says Larry Schuetz, Midwest sales manager for Sioux Honey.

As for the 13% sales growth reflected in *CSA's* figures, Schuetz explains, "Inflation ate most of that up. Honey production is very energy-intensive, so prices have been escalating. And the drought, which hurt the flowers, affected the bees, and that didn't help." ☐

Syrups: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Molasses	3.67	[illegible]	$ 10.97	[illegible]	3.75	[illegible]	3	22.3
Honey	30.28	[illegible]	103.40	[illegible]	32.58	[illegible]	13	23.5
Churned Honey	4.55	[illegible]	3.13	[illegible]	4.03	[illegible]	1	19.2
Pure Maple Syrup	4.59	[illegible]	12.63	[illegible]	4.87	[illegible]	1	23.2
Maple-Flavored Syrup	49.08	[illegible]	153.39	[illegible]	47.10	[illegible]	20	20.9
Plain	41.74	[illegible]	128.46	[illegible]	39.77	[illegible]	17	20.8
Buttered	7.34	[illegible]	24.93	[illegible]	7.33	[illegible]	3	21.8
Corn & Cane Syrups	5.90	[illegible]	[illegible]	– [illegible]	5.49	[illegible]	4	20.1
All Other Breakfast Syrups	1.93	[illegible]	10.67	– [illegible]	2.16	[illegible]	3	26.9
Total	100.00	[illegible]	$317.29	[illegible]	100.00	[illegible]	45	21.3

% of total store volume . . . 0.22%

Tuna fish gets back in the swim

Here are a couple of fish stories.

Last summer, Alaska's Bristol Bay became the salmon highway. About 38 million sockeye salmon rode into Bristol on their way to the very stream where they were hatched, to in turn hatch their young, as part of Nature's incredible production machine.

For much of the early part of the run, there was not a commercial fisherman in sight. The gill netters were sitting it out, willing to strike for the whole run unless the canners met their price.

Last summer in other parts of the Pacific, tuna boats from every country with a door to the ocean searched the blue expanses for albacore, bluefin and skipjack. At times, the albacore were as plentiful as Alaska fishermen.

Eventually, both these operations returned to normal, but with different consequences.

Tuna's position as the pre-eminent low-cost, high-protein food source was tarnished last year by a stiff dose of inflation. Cost run-ups of up to 30% forced retails over the $1 mark for the most popular 6½-oz. can, and that price began to ration demand.

"During the summer, the industry usually begins to pick up volume," explains a spokesman for Ralston-Purina's Chicken of the Sea label. "But we did not see that summer rebound occur last year."

The long, flat summer for tuna was not helped by prices of competing foods. Both pork and chicken reached unprecedented lows during the summer of '80, and even hamburger prices moderated briefly in late August.

Salmon made a run at tuna last year, but high meat prices are now boosting both

But price was the killer. The culprit in this case was the price of gasoline, which drove up production costs for the fisherman and, consequently, the price of raw fish for processing.

Industry sources say, however, that production costs have stabilized and last year's erratic pricing will not repeat itself.

On the supply side, the only problem of any magnitude is with the premium white, or albacore, tuna. The high cost of money has forced the canneries to trim their inventories, and as a result albacore has been in short supply at times.

The only unknown in the equation is political. Currently, United States tuna boats are barred from fishing within 200 miles of the Mexican coast, site of some prime tuna fisheries. The United States has returned the favor, barring imports of Mexican tuna. The dispute was on the agenda for President Reagan's meeting with Mexico's President Portillo, but the meeting was canceled following the attempted assassination on Reagan.

The porpoise controversy has died down, too. The industry reported no problem with meeting Government quotas for porpoise kills, and 99.6% of porpoises caught in the tuna nets were released unharmed.

The brighter news for tuna, though, is that consumers have already returned to their old buying habits, and the rebound should continue. Prices for beef, pork and poultry are trending up, and that means more shoppers will rely on tuna for that nutritious, inexpensive meal.

The story on salmon took a different turn. Years of efforts by wildlife managers and the fishermen to reach that delicate balance

Canned Fish: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Tuna	70.42	$1,400.65	$1,193.36	17.37	57.34	$187.37	34	13.4
Light	40.75	810.25	715.54	13.24	34.72	113.44	20	14.0
White	27.00	537.21	454.32	18.24	19.72	64.47	10	12.0
Specialties	2.67	53.19	23.50	126.34	2.90	9.47	4	17.8
Salmon	15.96	317.54	278.13	14.17	22.34	73.03	9	23.0
Sardines	3.03	60.28	57.96	4.00	4.70	15.37	10	25.5
Anchovies	0.45	8.86	7.83	13.15	0.72	2.35	1	26.5
Herring & Kippers	0.36	7.09	6.27	13.08	0.59	1.94	1	27.4
Mackerel	0.53	10.64	7.83	35.89	0.84	2.75	1	25.8
Crab	3.47	69.14	37.60	83.88	4.47	14.61	4	21.1
King	1.60	31.91	10.97	190.88	1.95	6.38	1	20.0
All Other Crab Products	1.87	37.23	26.63	39.80	2.52	8.23	3	22.1
Shrimp	2.14	42.56	42.30	0.59	3.16	10.30	5	24.2
Clams	1.87	37.23	37.60	− 0.97	2.98	9.75	4	26.2
Oysters	1.15	23.05	18.20	26.65	1.96	6.43	4	27.9
Wet Pack	0.72	14.41	11.23	28.32	1.25	4.09	3	28.4
All Other Oysters	0.43	8.64	6.97	23.96	0.71	2.33	1	27.0
All Other Canned Fish	0.62	12.41	12.53	− 0.96	0.91	2.97	3	23.9
Total	100.00	$1,989.44	$1,699.61	17.05	100.00	$326.86	76	16.4

% of total store volume . . . 1.12%

between "harvesting" and overfishing paid off in the biggest salmon run in 42 years.

"If we could have caught all the fish we were legally entitled to," says Woody Clemmons of Peter Pan Seafood, "we couldn't have packed it all."

As it turned out, the canneries came close to not packing any. The strike by the salmon fishermen, who operate quite independently from their 32-ft. boats, wasn't settled until July 3, several weeks into the run. The salmon run peaked July 4.

Despite the late start, the sheer volume of fish had the canneries operating at capacity. The number of fish harvested had some packers worried about moving the product, and even more about significant price drops.

To the canners' surprise, prices for the fish did not soften as expected. "That pack moved exceedingly well. Essentially, the current inventory levels are manageable, and that's a testimony to the strength of the market," says Lee Patton of Castle & Cooke's Pan-Alaska division.

"One of the keys," explains Patton, "is the foreign exchange rate." Last year it found favor in Britain, of all places. "Large amounts of salmon were sold to the United Kingdom," he says. "And that took a lot of the heat off."

On the home front, however, the market has been persistently good. "The United States grocery trade has experienced better and better packs," says Patton, "and their sales are improving."

Last year, salmon sales rose 14%, which, unlike most categories, represented real sales gains, as prices were relatively stable. Case movement, as would be expected, also picked up.

In some areas, salmon on special was competing penny-for-penny with white meat tuna, something that could bode well for the salmon canners if the price of tuna should climb again.

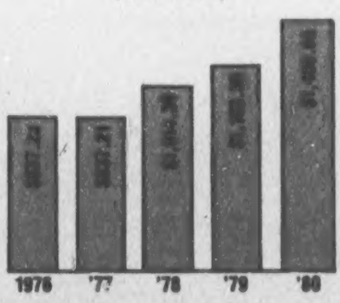
"Last year brought a lot of households back into the salmon market," says a spokesman for the Salmon Institute. "Nutritionally and in versatility it is equal to other seafood products."

As for this year, all indications are that the price for salmon should be fairly firm. There is already considerable interest from abroad even though the fish are yet to be counted.

Preliminary reports by the Alaska Department of Fish and Game indicate the 1981 run of red sockeye salmon will not duplicate last year's surge. The volume of pink salmon could decline by half, and the chum harvest should be about the same.

"The overall pack is forecast at about a third less," says Patton, "but the specie mix will change rather dramatically." If the forecasts hold, the most attractive prices will probably be in the chum varieties.

Canned tuna sales
(in $ millions)



Source: *CSA Supermarkets*

Sardines: It is not often that sardines make news, but this year the tin-dwellers have glossed the pages of major newspapers across the country. The big hoopla is all about pilchard, or canned chunk sardine, which is being marketed against tuna as a lower-priced alternative with a similar taste.

Although pilchard did swimmingly well in early marketing, when tuna prices were at their highest, sales have since plateaued.

To date, the large tuna canners are not hooked on the idea and do not seem overly worried by the prospect of competing with the cheaper sardine as long as the gap is within 20-30 cents.

The main body of the sardine market, one- and two-layer brislings, continues its sluggish pace. Although supplies are adequate, exchange rates continue to plague the product as well as what the importers call its "continued lack of exposure," particularly to younger consumers.

The bright spot on the sardine scene is the American industry, which is making large inroads against the imports thanks to lower prices and improving supplies.

Anchovy lovers are advised to take a "long" position in the market. Although there are currently plenty of anchovies on the market now, the supplies are expected to dwindle to shortage levels later in the year. Portuguese fishermen head out twice a year for anchovies, and we are currently enjoying the fruits of last spring's plentiful catch.

But the winter fishing season was a bad one, according to the importers, and it could mean plenty of plain pizzas by the end of the year.

The situation with other fish snacks such as kippers and herring is much better. Supplies have been good and production cost increases moderate, which has allowed this category to maintain a solid sales growth.

Shellfish: The shellfish market remains about as predictable as the ocean itself. High operating costs and slackened demand have plagued the industry.

Although supers report large increases in sales of king crab, it is primarily on price alone. The price of canned king crab has been pushed up astronomically, and the product is in very limited supply.

Most of the pressure on king crab has come from the restaurant trade, which has found the shellfish a suitable and less expensive replacement for lobster.

Although most of the news about shrimp has centered on a controversy between relocated Vietnamese and native Texan shrimpers, some observers wonder why anyone would want to shrimp at all.

Demand for that tasty crustacean continues to suffer from a high-price syndrome, despite generally lower wholesale prices than the previous year.

The slack in the shellfish market has been picked up by oysters, once considered exotic by most of the country. Sales rose more than 25% last year, and supplies, particularly on the domestic side, remain more than adequate, while prices have been favorable. ☐

Unit Movement

The following chart shows each canned fish category's share of total unit movement, measured in units per store per week.

Category	[illegible]	Share of Total Unit Movement (%)
Tuna	[illegible]	79.23
Light	[illegible]	50.93
White	[illegible]	25.13
Specialties	[illegible]	3.17
Salmon	[illegible]	4.84
Sardines	[illegible]	5.59
Anchovies	[illegible]	0.56
Herring & Kippers	[illegible]	0.83
Mackerel	[illegible]	1.26
Crab	[illegible]	1.34
King	[illegible]	0.42
All Other Crab Products	[illegible]	0.92
Shrimp	[illegible]	1.50
Clams	[illegible]	2.25
Oysters	[illegible]	1.50
Wet Pack	[illegible]	0.83
All Other Oysters	[illegible]	0.67
All Other Canned Fish	[illegible]	1.09
Total	[illegible]	100.00

Tight economy adds zest to sauces

The new American pastimes—stretching inflation-thinned dollars and dieting away excess weight—provided the impetus for a solid, though not spectacular, 1980 for sauces and dressings.

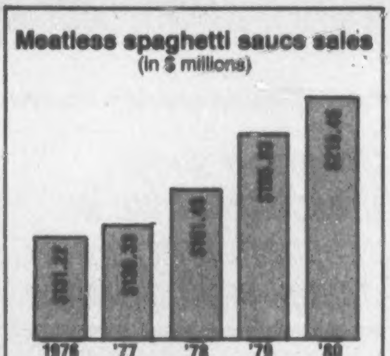
Spaghetti sauce, one of the largest subcategories, is a prime example. Though sales slowed in 1980, this remains a basically strong area as consumers perceive pasta as a healthful product as well as an economical one.

Sauce manufacturers are extremely optimistic about the next few years, and they would seem to have good reason. President Reagan's enthusiasm for supply side economics notwithstanding, inflation has become an accepted, if unpleasant part of contemporary American life. One direct effect of this malady is that many consumers have sought alternatives to costly meat-based diets and have turned to staples like pasta. Naturally, that's good news for spaghetti sauce manufacturers. The same logic has forced consumers to use the wide variety of other sauces and dressings to stretch meals and embellish the flavor of cheaper cuts of beef.

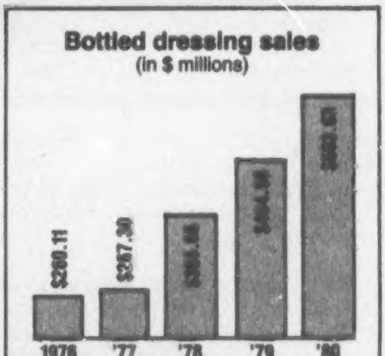
Diet craze: In addition, the national fervor for staying slim shows no signs of abating. This has particularly bright implications for dressings, which are linked directly to the salad craze. Pasta has cut itself a niche in this "think thin" market as knowledgeable weight watchers increasingly view it as a nutritional, less fattening alternative to richer meals.

New York-based Ronzoni, for example, joined the trend last spring with the introduction of its Light and Natural line of sauces, which completely replaced its former products.

"The results so far have been very



Source: *CSA Supermarkets*



Source: *CSA Supermarkets*

Sauces: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	[illegible] Dollar Volume [illegible]	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Mixes & Seasonings	9.26	$ [illegible]	$ 138.43	30.57	16.48	$ 56.47	54	30.9
Gravy Mix	3.33	[illegible]	45.43	3.27	5.20	15.89	15	32.0
Sloppy Joe Mix/Seasoning	0.71	[illegible]	9.40	13.19	1.08	3.29	3	30.9
Chili Mix/Seasoning	1.31	[illegible]	15.67	24.44	2.01	6.14	5	31.5
Spaghetti Sauce Mix/ Seasoning	1.55	[illegible]	15.67	47.10	2.33	7.15	5	31.0
Other Dry Mixes & Seasonings	5.35	[illegible]	53.26	49.79	7.86	24.01	26	30.1
Mustard	[illegible]	[illegible]	78.76	[illegible]	6.91	21.11	15	22.9
Catsup	22.79	[illegible]	349.23	[illegible]	21.61	[illegible]	16	18.9
Plain	19.79	[illegible]	314.76	[illegible]	18.08	55.72	13	19.0
All Other Catsup	3.19	[illegible]	34.47	[illegible]	2.82	8.62	3	18.7
Spaghetti Sauce	24.98	[illegible]	341.83	[illegible]	25.02	[illegible]	34	20.6
Meatless	14.86	[illegible]	195.83	12.27	14.74	45.07	21	20.5
With Meat	8.21	[illegible]	120.83	1.41	7.96	24.34	11	19.9
With Clams	1.91	[illegible]	25.07	[illegible]	2.30	[illegible]	2	24.9
Meat Sauce	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	27	24.3
Cooking Wine	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]
Gravies, Prepared	[illegible]	[illegible]	[illegible]	[illegible]	3.22	[illegible]	[illegible]	24.1
Gravy Flavoring, Liquid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1	[illegible]
Chili Sauce	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3	[illegible]
Cocktail & Seafood Sauce	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2	24.7
Mexican Sauces	[illegible]	[illegible]	[illegible]	[illegible]	7.15	[illegible]	15	27.4
Pizza Sauce	[illegible]	[illegible]	[illegible]	[illegible]	1.71	[illegible]	[illegible]	[illegible]
Hot Sauce	1.31	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Soy & Teriyaki Sauce	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
All Other Sauces	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	16	[illegible]
Total	100.00	[illegible]	$1,[illegible]	[illegible]	100.00	[illegible]	[illegible]	23.4

% of total store volume . . . 0.78%

positive," reports a Ronzoni spokesman, who adds cautiously, "Those were first-time users. What we're looking for now are repeat users to keep the product moving off the shelves."

With the sauce subcategory racking up sales of $370 million, up 8.5%, manufacturers say that more and more companies are angling for a big helping of this lucrative business.

"It's been an extremely active category over the last year. There's been the introduction of many new brands and inroads in the market by generics and private labels. And we've seen lots of trade deals, couponing and promotions," says Charles Perrin, vice president of marketing for Ragu.

For Ragu, at least, the leveling off of total spaghetti sauce sales is causing them to adjust their marketing strategy. "We're looking to convert the homemade user into becoming more of a commercial user," explains Perrin.

Spaghetti sauce, dressings thrive as shoppers turn to new money-saving dishes

Behind the more impressive growth of other sauces and seasonings is the desire by cooks to mask the flavor of less expensive types of meats. Meat sauce, for example, enjoyed a sales growth of nearly 25%. Ethnic sauces, like pizza and Mexican, posted even more impressive gains, though they remain relatively small segments of the category.

The biggest victors last year, though, were the more economical dry mixes and seasonings. The most obvious winner was dry spaghetti sauce, which leaped over 47% in dollar sales.

Explains Dan Murray of French's, "The reason so many of these products did so well is directly related to the increase of the use of cheap meat dishes. When you're making gravy or spaghetti sauce from a mix, it's convenient, and it could be as much as 10% cheaper."

Mustard cools: While climbing beef prices translated into good news for many sauces, that's not the case for mustard. Though *CSA* research shows a 20% sales gain in this subcategory, one leading manufacturer comments, "A lot of that growth is inflationary and due to tie-in deals and promotion. Also, hotdog prices have been going up, and if they keep rising it could hurt sales."

The bright spot in the mustard market was in Dijon-type brands, like Grey Poupons. "That's been the area of growth. More and more families have two mustard jars in the refrigerator—yellow mustard for the kids and one of the more expensive, Dijon brands for adults," says another manufacturer.

Ketchup had a different kind of year, as sales failed to match a particularly strong showing in 1979. "Beef and potato prices were up last year, and that had a negative effect on ketchup, though we were helped somewhat because people are eating more at home these days," explains Tim Stern of Del Monte. Overall, sales hit $339 million.

With its attractiveness as a budget stretcher and convenience item, mayonnaise managed to steer a steady sales course through 1980. One manufacturer expressed concern over price increases and the move by many consumers toward lighter foods, but couldn't argue with the product's actual performance: Sales rose 21% for a total of $448 million.

Dressings: As dry and bottled salad dressings dueled each other for the allegiance of the growing number of consumers looking to stretch their budgets and lose weight, both posted strong gains. Behind the growth, manufacturers say, is the increasing tendency for users to substitute salads for main courses. Says one manufacturer, "People are getting away from thinking of salads as just lettuce and tomato. They're doing more things with salads and finding other money-saving uses for dressings."

Convenience remained the byword in this subcategory as bottled dressings continued their dominance with sales of $563 million, up 21% over the previous year. Aiding growth was the infusion of new flavors, like creamy cucumber, into the marketplace. Kraft, which offers as many as 25 different dressings, reports that tonnage in bottled dressings rose 10% in 1980.

Setting the pace for bottled dressing were the old standbys, Italian, French and cheese, in particular.

Offering a cheaper alternative to bottled dressings—and in a sense a healthier one since the amount of high-calorie oil in the dressing is controlled by the user—dry mixes grew over 37% for a total of $79 million in sales. ☐

Dressings: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Dry Dressing Mixes for Salads	6.04	$ 79.79	$ 57.96	[illegible]	8.77	$ [illegible]	17	26.2
Mayonnaise	33.97	[illegible]	369.72	[illegible]	16.21	[illegible]	10	8.6
Dressing for Salad	13.43	[illegible]	166.06	6.77	11.24	[illegible]	6	15.1
Dressings, Bottled	42.66	[illegible]	464.96	[illegible]	60.41	[illegible]	67	25.1
Italian	13.17	173.37	148.[illegible]	[illegible]	18.61	44.34	15	25.5
French	7.77	102.65	9[illegible].13	3.24	10.34	24.64	10	24.0
Russian	2.33	30.82	29.67	3.88	3.12	7.43	3	24.1
Thousand Islands	3.50	46.16	39.90	15.69	4.57	[illegible]	6	23.3
Coleslaw	0.60	7.91	7.83	1.02	0.82	[illegible]	1	24.8
Cheese	3.64	48.12	34.20	40.70	4.81	11.40	5	23.8
All Other Bottled Dressings	11.67	154.10	104.96	[illegible]	17.14	[illegible]	27	26.5
Spreads	3.88	[illegible]	72.07	–[illegible]	4.37	[illegible]	7	20.3
Sandwich Spread	1.25	[illegible]	20.37	–[illegible]	1.27	[illegible]	3	18.4
Tartar Sauce	0.89	[illegible]	10.27	[illegible]	1.06	[illegible]	1	21.5
Garlic Spread	0.40	5.32	4.70	[illegible]	0.58	[illegible]	1	25.9
All Other Spreads	1.34	[illegible]	36.03	–[illegible]	1.46	[illegible]	2	19.6
Total	100.00	[illegible]	$1,130.80	[illegible]	100.00	[illegible]	107	18.8

% of total store volume . . . 0.74%

Most vegetable sales still in a stew

No matter how you slice it, chop it, mash it or dice it, the market for canned vegetables got creamed again last year. "I wish we had the answer," moans a product manager for a major canner, "but the whole industry has not gotten much better. It has been significantly flat."

For the past two years, the canners have been suffering from burdensome supplies in some crops, while at the same time being forced to cope with higher processing costs. This double whammy of holding huge inventories at higher carrying costs has created its share of red ink.

The industry has been trying desperately to bring its supply position into line. Last year, contracted acreage for processed vegetables dropped 10%. But large carryovers from the abundant 1979 pack almost equaled the decrease in plantings.

As a result, the wholesale price index for canned vegetables actually dropped for the first three months of 1980, standing at 184 in March, as opposed to 191 in December 1979. The canners didn't get significant relief until late in the third quarter, when supplies finally started to get in line with demand.

Oversupply problems have eased, but high prices, buying habits dent movement

This year, planting intentions for major vegetables are down again, and canners are indicating they would rather have too little than too much of a given commodity.

"The industry has been prone to oversupply, and a lot of packers have been hurt this year," says a spokesman for Del Monte Foods, part of the RJR Inc. group. "From now on the industry will be holding inventories down and striving for more balance."

Another practice that appears to be going by the wayside is the maintenance of a narrow-as-possible spread between private label and brand vegetables. The brand label packers are "getting our prices," according to one, and willing to risk scaring off some consumers. If the market is shrinking, they reason, better take profits while you can.

Fresh competition: Where are all the canned vegetables consumers going? To fresh market vegetables, for starters. Per capita consumption of fresh has been on the rise, given impetus by a consumer shift to natural, unprocessed foods. For the most part, though, it stems from better availability and distribution of fresh vegetables.

Frozen food has also made some inroads at the expense of canned vegetables.

Canned Vegetables: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Baked Beans	11.46	$ [illegible]	$ 275.72	[illegible]	10.23	$ 57.46	29	19.5
With Pork	7.03	180.84	162.93	10.99	5.76	32.37	11	17.9
With Franks or Other Meat	0.25	6.49	6.27	3.51	0.28	1.56	1	24.0
Barbecued	0.32	8.23	7.83	5.11	0.34	1.90	1	23.1
Vegetarian	0.48	12.41	12.53	− 0.95	0.53	2.95	1	23.8
Plain	3.38	86.88	86.16	0.84	3.32	18.68	6	21.5
Beans	17.36	[illegible]	464.33	− 1.81	18.58	104.38	51	23.4
Green	9.36	241.12	250.66	− 3.80	10.05	56.42	23	23.4
Lima	1.03	26.59	29.77	− 10.67	1.08	6.06	5	22.8
Wax	0.71	18.32	20.37	− 10.05	0.70	3.94	3	21.5
Kidney	1.93	49.64	43.87	13.15	2.14	12.01	5	24.2
All Other Beans & Bean Combos	4.27	109.92	109.66	0.24	4.61	25.94	15	23.6
Peas	7.72	[illegible]	213.06	− [illegible]	7.68	43.18	22	21.7
Regular Green	6.41	164.69	164.49	0.24	6.33	35.62	17	21.6
Blackeyed & Field	0.69	17.71	23.50	− 24.63	0.66	3.72	3	21.0
All Other Peas	0.62	15.96	25.07	− 36.33	0.67	3.77	2	23.6
Corn	10.96	[illegible]	274.15	[illegible]	[illegible]	[illegible]	25	20.7
Whole Kernel	7.23	186.16	192.69	− 3.38	6.75	37.98	14	20.4
Cream Style	2.82	72.69	68.93	5.45	2.86	16.06	8	22.1
All Other Corn	0.90	23.05	12.53	83.96	0.75	4.22	3	18.3
Tomatoes	12.56	[illegible]	288.25	12.14	12.87	[illegible]	22	22.4
Regular	6.27	161.34	150.39	7.28	6.77	38.08	11	23.6
Italian	2.09	53.75	51.70	3.97	1.91	10.75	3	20.0
All Other Tomatoes	4.20	[illegible]	86.16	[illegible]	4.19	23.58	8	21.8
Tomato Products	14.54	[illegible]	349.35	[illegible]	12.24	[illegible]	24	18.4
Sauce	8.13	[illegible]	187.99	11.29	6.47	36.40	14	17.4
Paste	4.55	[illegible]	114.36	2.33	4.12	23.17	7	19.8
Puree	1.86	[illegible]	47.00	[illegible]	1.55	9.29	3	19.4
Beets	2.48	[illegible]	67.36	− [illegible]	2.89	[illegible]	16	25.5
Asparagus	3.16	[illegible]	72.06	[illegible]	3.26	[illegible]	8	23.0
Cabbage	0.34	[illegible]	9.40	− [illegible]	0.37	[illegible]	2	23.5
Carrots	1.02	[illegible]	31.33	− [illegible]	1.14	[illegible]	6	24.4
Mixed Vegetables	1.03	[illegible]	29.77	− [illegible]	1.15	[illegible]	5	24.4
Mushrooms	6.34	[illegible]	162.93	[illegible]	6.96	[illegible]	17	24.8
Onions	0.76	[illegible]	14.10	[illegible]	0.91	[illegible]	2	26.2
Carrots & Peas	0.76	[illegible]	16.60	[illegible]	0.88	[illegible]	2	25.4
White Potatoes	1.38	[illegible]	28.20	[illegible]	1.41	[illegible]	6	22.3
Pumpkin	0.96	[illegible]	20.37	[illegible]	0.85	[illegible]	3	19.3
Sauerkraut	1.58	[illegible]	42.30	− [illegible]	1.78	[illegible]	7	24.6
Spinach	1.31	[illegible]	34.47	− [illegible]	1.46	[illegible]	6	24.4
Squash & Zucchini	0.34	[illegible]	6.27	[illegible]	0.36	[illegible]	2	23.1
Yams & Sweet Potatoes	2.14	[illegible]	48.56	[illegible]	2.27	[illegible]	7	23.2
All Other Canned Vegetables	1.93	[illegible]	48.56	[illegible]	2.37	[illegible]	12	26.8
Total	100.00	[illegible]	$2,483.34	[illegible]	100.00	[illegible]	284	21.8

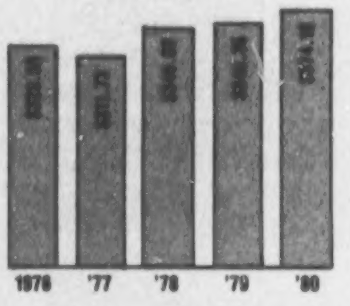
% of total store volume . . . 1.44%

Canned vegetables buyers—and there were $2.57 billion worth last year—will find everything they expect to this year, with one notable exception. Canned corn is running in short supply in some areas and may not last until the new pack is canned.

As a result, prices have taken off and are expected to remain high right through the new pack. Acreage intentions are up 4% for corn this year, but the small carryover, if there is any, will keep the market in the sellers' favor throughout the year.

Snap beans, peas: Even where supplies are adequate, higher carrying costs and profit-taking will blunt any downward momentum. For instance, as of Feb. 1, U.S.D.A. reported a large carryover of canned snap beans in inventory, a situation that would not be alleviated

Tomato products sales
(in $ millions)



Source: *CSA Supermarkets*

Unit Movement

The following chart shows each canned vegetable category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	Share of Total Unit Movement (%)
Baked Beans	483	10.94
With Pork	348	7.88
With Franks or Other Meat	8	0.18
Barbecued	10	0.23
Vegetarian	25	0.57
Plain	92	2.08
Beans	798	18.06
Green	481	10.88
Lima	34	0.77
Wax	30	0.68
Kidney	79	1.79
All Other Beans & Bean Combos	175	3.96
Peas	365	8.25
Regular Green	313	7.08
Blackeyed & Field	32	0.72
All Other Peas	20	0.45
Corn	584	13.22
Whole Kernel	385	8.71
Cream Style	154	3.49
All Other Corn	45	1.02
Tomatoes	434	9.83
Regular	245	5.55
Italian	33	0.75
All Other Tomatoes	156	3.53
Tomato Products	884	20.01
Sauce	614	13.90
Paste	223	5.05
Puree	47	1.06
Beets	115	2.60
Asparagus	51	1.15
Cabbage	8	0.18
Carrots	48	1.09
Mixed Vegetables	57	1.29
Mushrooms	178	4.03
Onions	25	0.57
Carrots & Peas	23	0.52
White Potatoes	72	1.63
Pumpkin	32	0.72
Sauerkraut	69	1.56
Spinach	63	1.43
Squash & Zucchini	12	0.27
Yams & Sweet Potatoes	59	1.34
All Other Canned Vegetables	57	1.29
Total	4,418	100.00

by average case movement going into the new pack.

Yet prices of canned snap beans are moderately higher than year-ago levels. With planting intentions down 11%, it appears as though the canners will sit this one out until the shorter crop is processed.

Ditto for peas. As of March 1, U.S.D.A. reported a 2% increase in canners' stocks, despite a smaller 1980 pack. Another large carryover is expected in this category, so the canners have cut contracted acreage by 10%. Prices, however, have recently moved forward.

Last year, both snap beans and peas recorded sales decreases at retail. Beans dropped almost 4%, peas almost 7%.

Tomatoes: One of the stronger performers last year was canned tomatoes. During the second half of 1980, unit sales advanced 12% over the prior year, according to U.S.D.A. With overall supplies 17% lower, prices remained firm throughout the year.

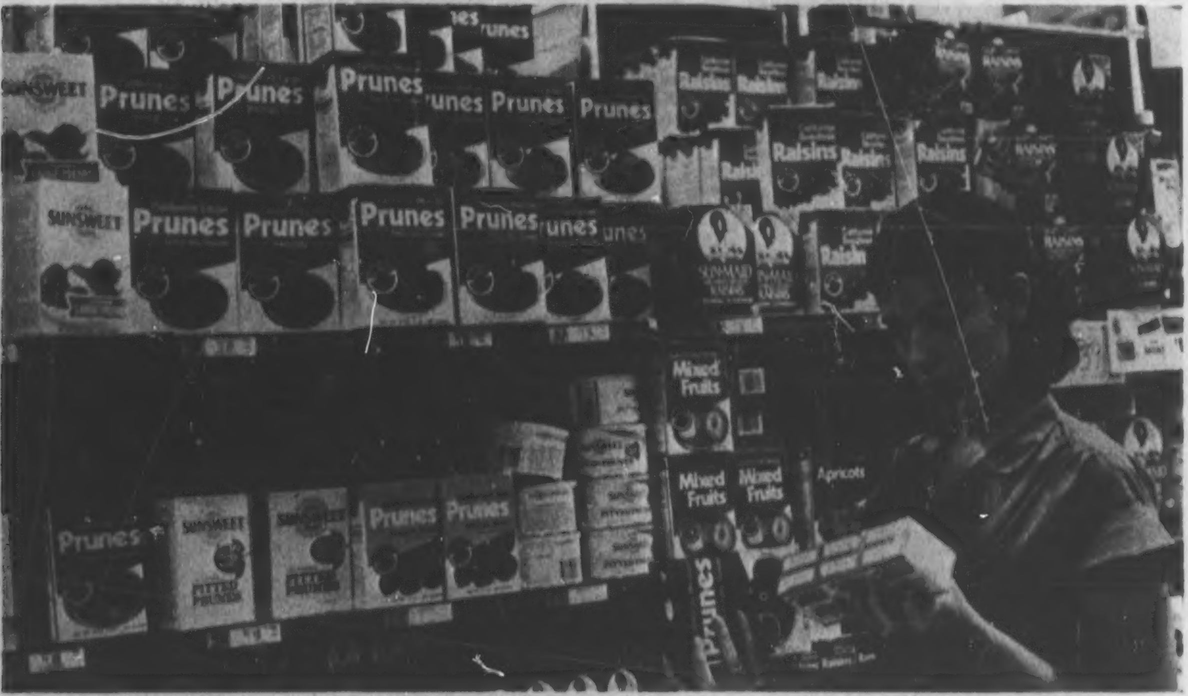
This was a supply-demand balance more in favor with the canners' economics, and they have no intention of altering it. Contracted acreage nationwide has actually decreased 1%, indicating that prices will be advancing right through the new pack offering.

Potatoes: No commodity has suffered as much from oversupply than the potato. But mountainous overloads have been cut drastically by reduced production. The 1980 fall crop, down 11% from the 1979 fall production, was the lowest since 1973.

As a result, prices bolted to record levels and sent sales of canned potatoes up 25% in 1980. Although the spring harvest should be substantially greater than last year, depleted stocks will serve to keep prices at high levels.

Supplies are also down in all varieties of canned carrots, although not as drastically. At year-end, stocks were 18% lower than the previous year. As a result, prices have moved forward accordingly, although the expected rationing of demand has not occurred.

Spinach is about the only vegetable that has not done a whole lot of anything. Supplies and demand are at even keel, and prices have held steady. Adequate supplies are forecast throughout the year. ☐



Raisins, rice resilient; prunes peak

The flourishing American passion for youth and health is giving dried fruit manufacturers and retailers an ever-brightening "raisin d'etre."

"They're teaching 7- and 8-year-old kids about better nutrition and diet," says Mark Bagley of RJR'S Del Monte division. "That carries a long way. They're learning more than their mothers ever did." This heightened awareness has offset a persistent price problem with the dried cut fruits, and cut through the stereotyping of raisin and prune consumers.

Prune sales best exemplified the pattern last year. Per capita consumption of prunes increased 1% in 1980, reversing a five-year downturn and sending sales up 10%, with the most popular package increasing 13%.

The turnaround got a boost from two major factors. The first was the supply of the commodity itself. Growers rebounded from a somewhat shortened crop in 1979 with a robust 168,000 tons in 1980. According to Stan Lewczyk of Tenneco West's Sun Maid brand, it was the largest crop in the last eight years.

TV exposure: To sell all that fruit, the California Prune Board last year embarked on its first television ad campaign in five years. The board targeted the campaign at young audiences in 17 of the top 25 markets, reaching about 40% of the country.

"The campaign turned sales around dramatically," says Dan Thornton of the board. In markets where the spots ran, sales picked up 17%, compared to sales in non-ad markets, which improved at a 6% clip.

Good crop years and strong demand spell plum sales year for most products

There will be plenty of prunes around until the fall harvest, says Thornton, and prices have leveled off to a modest 3% above last year. The prospects for the new crop look excellent, and the growers are likely to continue the ad campaign that moved so many prunes last year.

One crop that didn't have a turnaround last year was raisins, and it's a good thing. Raisin consumption has risen steadily over the past few years, and 1980 was no exception. Although the category registered only a marginal dollar increase last year, back-to-back bin-busting record crops have maintained heavy supplies on the market, keeping the lid on prices.

In fact, raisin prices in May were below year-ago levels, something of which consumers these days are quick to take note. Despite the supply, Del Monte's Bagley notes, "There has been somewhat of a decline in the retail trade's willingness to mass-display raisins." Bagley and other suppliers think the sheepishness stems from the disastrous 1978 season when prices zoomed over the $2-a-pound mark.

On the other hand, he points out that raisins and other dried fruits are finding bigger homes on the shelves, and in particular in a fast-growing number of nutrition centers, as their popularity increases.

Dried Fruit: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Raisins	64.78	$202.12	$200.49	0.81	65.40	[illegible]	12	27.3
Prunes	19.88	62.05	56.40	[illegible]	18.47	[illegible]	9	25.1
Regular	11.36	35.46	31.33	13.18	10.72	9.04	6	25.5
Pitted & Other	8.52	26.59	25.07	6.06	7.75	6.54	3	24.6
Apricots	3.98	12.41	12.53	– [illegible]	4.08	[illegible]	2	27.7
Dates	4.54	[illegible]	17.23	–[illegible]	4.91	4.14	5	29.2
All Other Dried Fruits	6.82	[illegible]	17.23	[illegible]	7.14	[illegible]	9	28.3
Total	100.00	$312.04	$303.88	2.68	100.00	[illegible]	37	27.8

% of total store volume . . . 0.18%

Even the higher-priced cut fruits such as apples, peaches and pears made strong advances last year. "There's been no tonnage decline despite the fact that prices have skyrocketed," says Bagley, and indeed, cut fruits shot up 23.5% last year on the strength of those price boosts.

Although dried cut fruits continue to be popular, the growers see little hope for any large tonnage growth because of the labor-intense nature of the production. The fruit is picked and processed by hand, and the availability of that kind of labor is becoming scarce and increasingly expensive.

If consumers keep gobbling up the stuff despite the price, though, the producers may change their minds.

There were some weak spots in the market last year, the most notable of which was apricots. Bad weather, for apricots anyhow, cost the growers 25% of the crop, making product scarcer and scaring consumers away with a high ticket, even for dried fruit.

Rice: You won't see anyone going into McDonald's and ordering a hamburger and a bag of rice, says Tad Damiens of United Rice Packing Co. in New Orleans, but he and every other rice supplier in the country will testify to the fact that rice and rice dishes represent one of the few genuine boom categories in basic commodities.

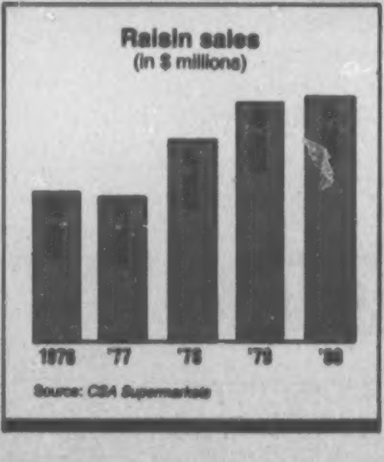
Even after inflation's tax has been paid, rice registers a steady and prodigious sales growth. Last year the category climbed nearly 20% in sales dollars, while unit movement has been moving along at a 10%-per-year rate.

What's keeping rice sales plump? Of the three major criteria for purchasing—price, convenience and variety—rice can stand up against anything. The category also got a boost when the five-year oversupply of potatoes came to a crashing halt, sending spud prices up 25%-40% at retail.

The popularity of rice is also being spurred by a greater awareness of its uses, and, says Damiens, "The rice industry is beginning to educate the public more."

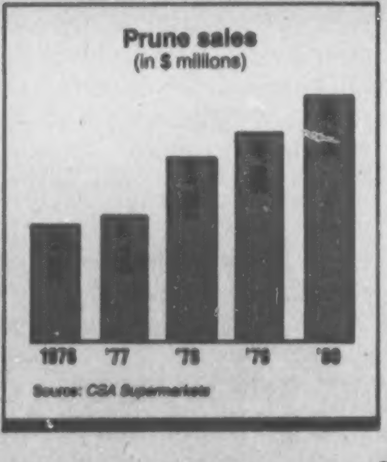
The rice industry is also providing the public with more product. It seems that every company in the country has introduced a new rice dish in the last year.

In fact, activity has been so fran-



Raisin sales (in $ millions)

Source: CSA Supermarkets



Prune sales (in $ millions)

Source: CSA Supermarkets

Dried Vegetables: 1980 Performance—$1 Million Supermarkets

Category	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Rice & Rice Dishes	60.45	$392.91	$330.21	18.99	56.51	$ 88.51	41	22.5
Regular	28.63	186.16	155.09	20.03	26.39	41.33	14	22.2
Instant	13.37	86.86	76.76	13.16	11.70	18.33	5	21.1
Brown	4.11	26.69	23.50	13.57	4.26	6.67	4	25.0
Flavored	12.70	82:54	54.73	50.81	12.54	19.65	16	23.8
Wild Rice	1.64	10.64	20.13	−47.13	1.62	2.53	2	23.8
Instant Potatoes	18.82	122.34	100.26	22.02	19.91	31.20	20	25.5
Mashed	8.18	53.19	51.70	2.88	8.79	13.78	10	25.9
All Other Instant Potatoes	10.64	69.15	48.56	42.40	11.12	17.43	10	25.2
Beans	15.28	99.29	59.53	66.79	16.35	25.62	12	25.8
Peas	2.18	14.18	14.10	0.57	2.81	4.40	3	31.0
Lentils	1.09	7.09	6.27	13.08	1.48	2.33	1	32.8
All Other Dried Vegetables	2.18	14.15	14.10	0.35	2.94	4.60	2	32.5
Total	100.00	$649.96	$524.47	23.93	100.00	$156.65	79	24.1

% of total store volume . . . 0.37%

tic in the flavored segment of the category that it has become the fastest-growing section of the prepared foods market. Last year, the flavored rice portion of the rice category leaped 25%.

"Everybody's shooting at us," says Dominic Forte of Golden Grain Inc., whose Rice A Roni has long been one of the category's dominant labels. Golden Grain is, of course, shooting back with a few introductions of its own, although its old standby, chicken flavor, still stands on top. Even the most expensive part of the market, the wild rice products, has been growing a brisk pace.

"The whole category has grown so fast that retailers haven't caught up with it," says Forte, who suggests that given its sales performance, the category should be reevaluated more frequently and given the space it's due.

There is every indication that rice and rice mixes will continue to expand. Rice supplies have been steady for the past few years and signs are that supplies will be more than adequate for the rest of the year.

Export demand during the same time period, however, has been steadily increasing, and the overseas markets should keep the price of product fairly firm, the packers say.

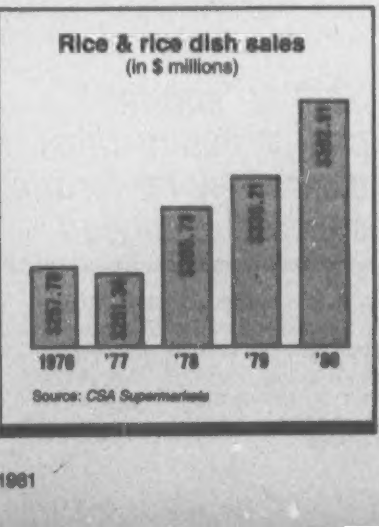
Dry beans: The dry bean market is finally slipping out of the domestic doldrums. Dry bean producers have always counted on a strong export market, particularly to Mexico and other Latin countries, to make up for a domestic market that, according to the Department of Agriculture, has been at nearly constant low levels."

Last year beans began to shake off the ethnic label that retailers have placed on them, and are now finding a wider audience in the population. By far, the most popular segment of this market is lima beans, particularly baby limas, which have experienced spectacular price jumps due to demand.

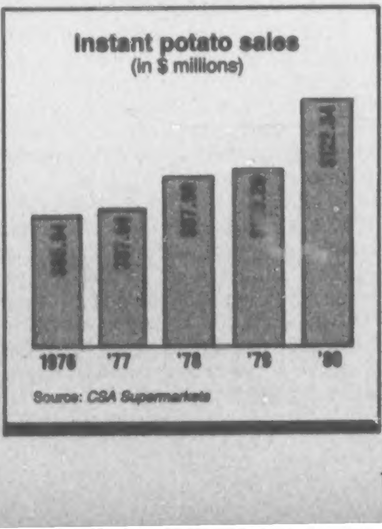
In March, says U.S.D.A., baby lima prices were more than 100% higher than the previous year. Conversely, the price for large limas has leveled off a bit.

Prices for all beans will remain firm, despite expected record crops for every variety. Once again, export activity is the chief culprit, with Mexico already contracting for a substantial amount of the 1981 crop.

Farmers also produced a large crop of dry peas last year—61% more than the previous year—but domestic consumption actually dropped 3%, according to the American Dry Peas and Lentil Association. A record crop of lentils, however, produced a 5% tonnage increase and a 13% sales increase at retail. ☐


Rice & rice dish sales
(in $ millions)

Source: *CSA Supermarkets*


Instant potato sales
(in $ millions)

Source: *CSA Supermarkets*

Lay's
Lay's
POTATO CHIPS
Ruffles
Doritos
Tostitos
TRY ME!
TRY ME!
TRY ME!
TRY ME!
Cheetos

Tortilla chips hot; potato chips not

For snack foods, 1980 was a solid year, with both sales and tonnage up significantly. But the biggest and best news in this growing $2.4 billion category may turn out to be something that was written, not eaten.

An exhaustive new study of salty snacks, commissioned by Frito-Lay and independently conducted by McKinsey and Company research firm, points to a new and larger role for snacks in the supermarket profit picture.

Looking at the overall picture, in 1980 the slippage of potato chips continued, popcorn emerged as a steady winner and tortilla chips were again the hottest thing going. Throughout the category, dollar sales rose nearly 12% over 1979. Indicative of the true growth in snack sales, tonnage in the industry was up a full 6%, according to A. C. Nielsen. And both these figures may be bigger next year if the recommendations of the McKinsey study are implemented and if they prove right.

While the McKinsey study portends good news for the future of snack foods, retailers will remember 1980 as a strong year, but one of contrast and continuing trends.

Shift to 'natural' crimps potato chips, opens way for tortilla, popcorn explosion

Potato chips remain the economic bulwark of the category with over $1.2 billion in sales. But manufacturers are calling it a "flat year," attributing most of the 12% sales rise to inflation.

Explaining the less-than-stellar showing of potato chips, manufacturers point to two factors.

First, potato chips are the archetypal snack food, and snack foods have yet to shed their "junk food" image.

Frito-Lay plans to attack this image problem head-on in 1981. In a program set for completion by the end of this summer, all Frito-Lay snack products will feature a detailed nutritional analysis on the product's label. "This is not in response to pending Government regulation. We're trying to do something about the misconceptions on the part of the consumer. We feel it's important that consumers know that a 1-oz. portion of potato chips has less salt than two pieces of bread and fewer calories than a glass of milk," says Lorraine Pintus of Frito-Lay.

Snacks: 1980 Performance—$1 Million Supermarkets

Category	Sales				Profit		Assortment	Margin
	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes in Whse.	Avg. Gross Margin (% of Retail)
Snacks	100.00	[illegible]	$2,053.44	[illegible]	100.00	[illegible]	39	27.2
Potato Chips	54.42	1,251.12	1,130.80	10.67	51.03	319.11	5	25.5
Fabricated Snacks	2.91	[illegible]	95.73	−30.11	2.99	18.73	7	28.0
Corn-Tortilla Chips	28.43	[illegible]	537.77	21.56	30.41	190.23	3	29.1
Pretzels	9.31	[illegible]	181.99	17.69	9.62	90.19	2	28.1
Popcorn	2.31	[illegible]	46.48	14.14	2.77	17.35	3	32.7
All Other	2.62	[illegible]	60.67	−0.65	3.18	19.89	19	33.0
Total	100.00	[illegible]	$2,053.44	[illegible]	100.00	[illegible]	39	27.2

% of total store volume . . . 1.29%

The second problem facing potato chips is that "other snack products are growing at the expense of potato chips," explains Ed Rutland, potato chip product manager for Borden-owned Wise.

The main beneficiary of the shift is tortilla chips.

The warehouse assortment for the corn-tortilla subcategory doubled in 1980 and sales jumped 21%. This figure would be even higher if tortilla chips were measured alone.

"They're not only growing in the Southwest," contends Frito-Lay's Pintus, makers of Tostitos. "In their first year of national distribution they did $140 million in business. That's unprecedented."

Last year wasn't as spectacular for popcorn, but it was a healthy one nonetheless. Riding the nationwide trend toward a greater consumption of natural foods, coupled with extensive promotion and a new generation of home poppers, popcorn improved 14% to push total sales over the $50 million mark for the first time.

Because of last summer's drought, some manufacturers are concerned about a popcorn shortage later this year. But with the planting of an early crop this year, along with the traditional slacking off of consumption during the summer, supplies of this increasingly popular exploding snack are expected to be adequate.

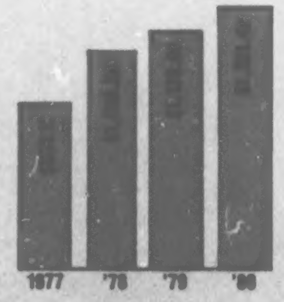
In prefabricated snacks, to paraphrase Mark Twain, reports of the death of Pringle's are greatly exaggerated. "The reason Pringle's sales declined, quite frankly, is because the novelty wore off," admits Dan Tassone, a spokesman for this Procter & Gamble's product.

Last March, however, P&G kicked off a revitalization for Pringle's with two new varieties and a new taste. Still in the midst of a television and print campaign, it remains to be seen whether the doomsday reports are premature but accurate. "So far it's too early to tell how it's going to do," adds Tassone.

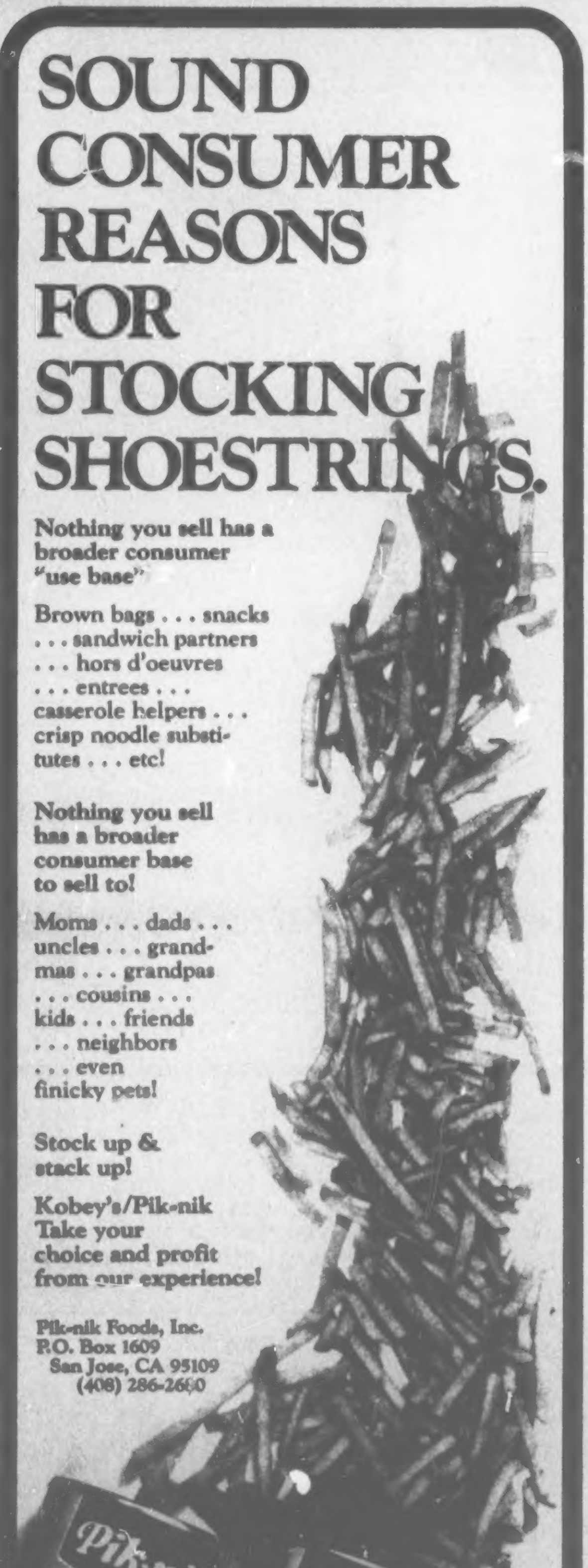
Pringle's comeback attempt may find an unexpected ally in the McKinsey study, which calls for an increased emphasis on salty snacks.

The 16-month 615-chain study,

Potato chip sales*
(in $ millions)



*1976 figure not available Source: CSA Supermarkets


SOUND CONSUMER REASONS FOR STOCKING SHOESTRINGS.

Nothing you sell has a broader consumer "use base"

Brown bags . . . snacks . . . sandwich partners . . . hors d'oeuvres . . . entrees . . . casserole helpers . . . crisp noodle substitutes . . . etc!

Nothing you sell has a broader consumer base to sell to!

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Potato
Chips
HERR'S

which also monitored 150 promotional events, is a provocative—though yet untested—merchandising blueprint designed to change the way supermarkets view snacks and increase net store profits by as much as 8%.

Its premise, simply, is that supermarkets aren't fully capitalizing on the fact that store-door delivered snacks have a 5% greater gross margin than the average supermarket item, and that snacks are a full 20% lower in handling costs. "The profitability measures employed by the average retailer do not recognize these differences and, as a result, merchandising decisions do not maximize his profit opportunities," the report states.

Some "top 10" super chains have already adopted the study's concept and merchandising strategies, and the report, which was done on a generic basis, is attracting widespread interest throughout the snack food industry.

The study, considered to be among the most comprehensive ever conducted, offers four specific merchandising suggestions. Chief among them is the conclusion that the size of the snack section should be increased in proportion to the volume and size of the store.

The study also recommends merchandising snacks in a mid-store, in-gondola location using a vertical stocking pattern. When this format was tested, sales increased up to 13%.

And an analysis of snack sales during 150 nationwide promotions showed that during promotions sales leaped six-eight times their normal rates. Significantly, the study showed no fall-off in the post-promotion period.

"Admittedly, the jury's still out, but the reception to the recommendations has been excellent. The fact that major chains are implementing it is a testimony to the potential the study is going to have on the supermarket industry," speculates Val Holley, manager of sales communications for Frito-Lay. Preliminary results of the study will be released later this summer, and no doubt snack manufacturers and retailers will be paying close attention. ☐

TAVERN NUTS
Cashews
Peanuts
Sunflower Seeds

Peanuts' famine is almonds' feast

Every time it rains in Georgia, the peanut industry cheers. It was a lack of rain in 1980 that slashed the crop almost in half.

Georgia grows 44% of United States peanuts, and the United States produces 30%–40% of the crop worldwide. In supermarkets, peanuts account for 31% of the nut department's volume.

Because of the shortage, the United States lifted import quotas in two stages: In December 1980, President Carter expanded the 1.7 million-lb. quota to 201.7 million. In April President Reagan raised it another 100 million lb. and extended the quota through July 31, 1981.

What made the United States crop debacle so painful was that it coincided with a worldwide shortage. Opportunistic European traders lost no time coralling available supplies and raising prices. As an example, the shelf ticket on 16-oz. cocktail peanuts went from $1.89 to $2.39. However, if peanuts are looking for consolation, they'll find it in peanut butter (accounting for one-half of the crop), where prices jumped threefold and fourfold.

In 1981, with moisture content low from last year, peanuts will need all the help they can get from rainmakers to reach its normal 4 billion-lb. output. Because of the drought, farmers had to use immature peanuts in plantings (to be harvested August through November 1981). This means that growers had to plant three seeds in the hope that one would germinate.

Drought devastated peanut supply; now almonds are reaping the sales rewards

But the weather continues to be the industry's nemesis. If the heavens hadn't opened for 10 days in May, the industry would have had another disastrous setback.

Almonds: Peanut's setback is almond's rallying point. Because retailers wanted their peanut-depleted shelves to look full, almonds received more facings.

Then, too, almonds were blessed with the second-largest crop in its history, 321 million shelled pounds, following 1979's record 376 million lb. And the 1981 crop (harvested from September 1981 to August 1982) looms even larger. Conservative estimates place it at 380 million.

But 1981 appears to be only a molehill in a mountain of almonds. Because of record-breaking plantings, the California Almond Exchange estimates that by 1990 production will exceed 700 million lb.; this compares with 125 million

Nuts: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Packaged Nuts—Regular	**62.30**	**$471.61**	**$372.86**	**26.48**	**61.96**	**$125.81**	**44**	**26.7**
Peanuts	14.29	106.15	89.30	21.11	13.37	27.15	13	25.1
Walnuts	15.46	117.02	90.86	28.79	16.77	34.05	7	29.1
Mixed Nuts	13.58	102.83	78.33	31.28	11.65	23.65	5	23.0
Pecans	5.15	39.01	39.17	– 0.40	6.22	12.64	5	32.4
Cashews	9.84	74.46	51.70	44.02	9.02	18.32	7	24.6
Almonds	3.98	30.14	23.50	28.26	4.93	10.01	7	33.2
Loose Bulk Nuts	**2.58**	**19.50**	**26.63**	**–26.76**	**3.46**	**7.02**	**4**	**36.0**
Dry-Roasted Nuts	**20.84**	**157.79**	**128.47**	**22.82**	**20.03**	**40.70**	**12**	**25.8**
Peanuts	16.86	127.65	98.70	29.33	15.83	32.17	9	25.2
Cashews	2.11	15.96	14.10	13.19	2.10	4.26	1	26.7
Almonds	1.87	14.18	15.67	– 9.50	2.10	4.27	2	30.1
All Other Dry-Roasted Nuts	2.34	17.73	15.67	13.15	2.22	4.50	2	25.4
All Other Packaged Nuts	**11.94**	**90.42**	**72.06**	**25.48**	**12.33**	**25.05**	**15**	**27.7**
Total	**100.00**	**$757.05**	**$615.69**	**22.96**	**100.00**	**$203.05**	**77**	**26.8**

% of total store volume . . . 0.42%

lb. just 20 years ago.

The end result is that the almond people will highball promotions. The industry spends one-quarter of a cent per pound for advertising, so a modest 400 million-lb. crop (by tomorrow's standards) means $10 million in advertising.

With almost all other nut prices increasing, almond merchandisers see a golden opportunity to hype sales by reducing prices. Whole almonds could be at least 10% lower than last year, and the 6-oz. snack container, now $1.59-$1.79, could drop to $1.49 this fall, with hot promotions at 99¢ a distinct possibility.

Walnuts: The peanut shortage helped walnut's industrial customers—and walnut sales—by substituting walnuts for peanuts. However, walnuts had to make it on their own with retail customers who have definite usage ideas. And make it they did, reducing carryover 20%. Thus, the 1980 crop was 196,000 tons, plus 10,000 carryover.

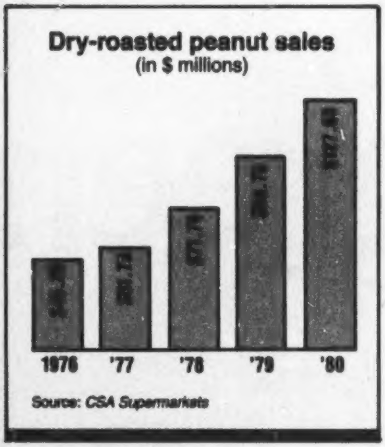
Sun-Diamond Growers is test-marketing a one-time-use convenience line. It is called "Added Touch" and consists of three different-size walnuts for three different kinds of use. They are packed in 2¼-oz. (half cup) cello bags. Heretofore, 10 oz. was the smallest size. Tests started in May 1981 and will continue until fall.

Mixed nuts: The peanut shortage helped push up prices of mixed nuts—but peanuts weren't the only culprit. Cashew prices have been climbing 10% a month. Consequently, manufacturers have modified the formula for mixed nuts. "But cashew is the second favorite nut," says a marketing exec, "so we couldn't change it drastically."

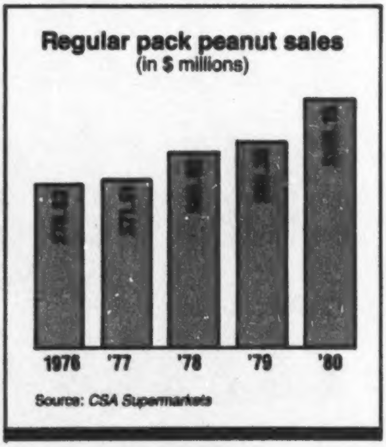
Net result is that mixed nuts containing less than 50% peanuts (12 oz.) went from $2.99 to $3.19 in March, then to $3.39 in May. Deluxe mixed (no peanuts) went from $3.89 to $4.29 in March and to $4.69 in May.

With the unsalted market growing at 30% per year, Planters is regionally distributing an 8-oz. container of unsalted mixed nuts and 7¼-oz. unsalted cashews. Unsalted sunflower seeds (7¾ oz.) is now being tested.

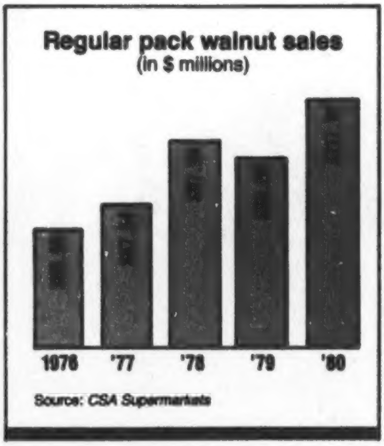
Planters is also hitching a new product to its dry roast wagon: 10-oz. sesame nut mix ($2.29-$2.39). Dry roast has been the magic stimulator for the past three years, with sales increases of 19% in 1978, 29%



Source: *CSA Supermarkets*



Source: *CSA Supermarkets*



Source: *CSA Supermarkets*

in 1979 and 23% in 1980.

Cashews: Why have prices—now $4.95 for a 12-oz. container, with $6 in the offing—skyrocketed? Simply the law of supply and demand: World production has decreased 50%, and demand has increased throughout the world, especially in Japan, Australia, the Middle East, Persian Gulf States and Russia.

Sixty per cent of the crop comes from East Africa. "Because of Government changes," says an importer, "the business is now in the hands of inexperienced people."

Meanwhile, India is selling virtually all of its production to Russia, and Brazil is watching and waiting—waiting to sell while watching prices go higher.

Brazils: Sales of the 1981 crop is virtually on hold while processors and importers try to move 1979 and 1980 carryover, which is priced 20¢ per pound less than the 1981 crop.

Filberts: With ample stocks from Turkey, as well as stable prices, no one is stockpiling—especially with high interest rates. Oregon, with a small crop, is trying to restrict imports. If successful, prices will rise.

Pistachios: When the Iranian embargo was lifted in the spring of 1981, shipments to the United States resumed. This news was greeted with deafening silence by California growers, who now have sufficient production for the United States.

The immediate worry, however, is the pistachios that have been in storage for two years during the hostage crisis and quality of which is being questioned. The price of these storage nuts has been reduced, thus giving them a competitive edge over California pistachios.

As a consequence, California Rep. Bill Thomas has introduced legislation to impose a 100% tariff on Iranian pistachios. The bill also requires importers to label the product as originating from Iran.

Thomas says the Iranian Government subsidizes the pistachio industry even though it is two centuries old. An official of the California Pistachio Association says, "How can you compete when labor in Iran is $3 a day and we pay $5-$5.50 per hour?"

California growers claim their crop is higher quality and urge consumers to buy domestic pistachios. Imports usually are dyed red to hide blemishes; California pistachios are not dyed because growers claim that newer harvesting methods permit them to avoid blemishes.

The fledgling California industry started with zero acreage 10 years ago. Now there are 31,000 acres of pistachio trees, with a total investment of $300 million.

Pistachios do not make money until the ninth or 10th year, although some in California have paid off in six years. Now that the California crop is maturing, growers are trying to protect their turf by forming the California Pistachio Commission, designed to put power behind their promotions. The first will be a multimedia consumer ad campaign. ☐

Unit Movement

The following chart shows each nut category's share of total unit movement, measured in units per store per week.

Category	Estimated Units Per Store Per Week	[illegible] Total Unit Movement [illegible]
Packaged Nuts Regular	216	[illegible]
Peanuts	59	[illegible]
Walnuts	55	[illegible]
Mixed Nuts	33	[illegible]
Pecans	23	[illegible]
Cashews	25	[illegible]
Almonds	21	[illegible]
Loose Bulk Nuts	8	[illegible]
Dry Roasted Nuts	71	[illegible]
Peanuts	60	[illegible]
Cashews	4	[illegible]
Almonds	7	[illegible]
All Other Dry Roasted Nuts	10	[illegible]
All Other Packaged Nuts	58	[illegible]
Total	363	[illegible]

Pitted olives, premium pickles gain

The olive market is headed for the pits, so to speak.

"We've probably done too darn good a job on selling the consumer pitted olives," laments Bob Rossio of Lindsey International. "They're buying pitted in greater numbers."

Although nobody has any real complaints, the processors feel that in the rush toward pitted, whole olives are being overlooked in merchandising plans.

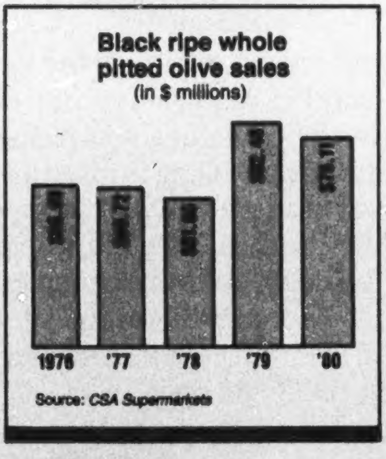
Pickle and olive sales were supposed to slump, but nobody told that to consumers

"The merchandisers are going to basic items, a vanilla-chocolate-strawberry plan, but they're not building the category overall, and that's not good in the long run," says Rossio.

In the short run, consumer interest in the smaller varieties of pitted olives remains strong, but that demand is going to keep prices firm and may cause spot shortages as inventories from last fall's harvest run their course.

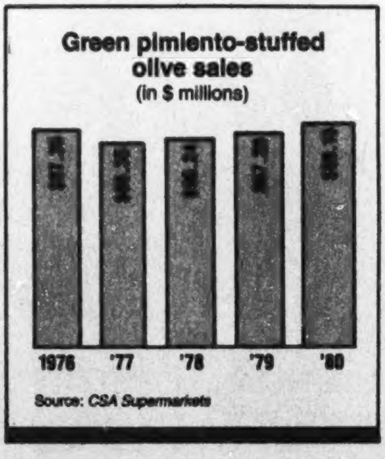
The impetus for greater demand in the smaller sizes was created by 1980's near-record harvest of 148,000 tons of California olives. When the trees are fuller, the olives are generally smaller, and a large portion of that crop went into pitted.

To move that crop, the industry unleashed a strong marketing campaign targeted at the gourmet and women's markets. "We're running an extensive magazine program to show people the wide variety of ways olives can be used," says Dave



Black ripe whole pitted olive sales
(in $ millions)

Source: *CSA Supermarkets*



Green pimiento-stuffed olive sales
(in $ millions)

Source: *CSA Supermarkets*

Daniels, marketing director for the California Olive Administrative Committee.

The committee has also done a shrewd bit of cross-merchandising in its magazine series, teaming up with grocery heavyweights like Kraft (cheese and spread) and General Mills (Bacos), and with commodity boards such as the California Avocado Commission and the American Egg Board.

And this leads us back to the pits, big pits. With so much of the action going to the manzanillo-type olive, stocks of whole fruit—extra larges, jumbo colossal and supercolossal in the industry's inflated grading system—have been building. For consumers, "big" means "bargain" for the rest of the year.

Prices on the most popular sizes, however, are firm and could get firmer. Despite that prospect, Rossio doesn't think price will ration demand.

"Olives have generally proven themselves to be insensitive. We'll sell 65,000 tons more or less every year. They're not as price-sensitive as merchandising-sensitive. They respond well to any kind of off-shelf promotion."

Rossio's analysis was supported recently by one merchandiser who was walking past a display of olives. "Olives," he said with a chuckle. "Anytime you want a few fast dollars, just bring 'em out. The gross is great."

Unit Movement

The following chart shows each olives/vinegar category's share of total unit movement, measured in units per store per week.

Category	[illegible] Units Per Store Per Week	Share of Total Unit Movement (%)
Olives	246	68.52
Green, Ripe, Whole, Pitted [Canned]	47	13.09
Black, Ripe, Whole, Pitted [Cured]	74	20.61
Green, Pimiento—Stuffed	49	13.65
Green, Unstuffed, Whole, Pitted	19	5.29
All Other Olives	57	15.88
Vinegar	113	31.48
White, Distilled	53	14.76
Cider	29	8.08
Wine & Herb	31	8.64
Total	359	100.00

Pickles are getting tired of playing second fiddle to coleslaw.

"We've always been on the defensive in this industry," says Bill Moore of Pickle Packers International, sounding the charge. "But pickles are a lot more indispensable than we give them credit for."

For the past few seasons, pickle and olive purveyors have been fighting a rear-guard action against advancing waves of inflation, apprehensive that as discretionary spending shrinks, sales naturally would shrink with them.

The strategy was to merely hold on to what existed in both sales and merchandising space.

For the pickle people, that all changed last year, when the American public made a discernible shift in their spending habits. "Pickle category consumption has not followed shifts in discretionary income," says Dennis Geraghty, product manager for H.J. Heinz Co. "It

Olives & Vinegar: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	[illegible] Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Olives	67.75	[illegible]	$238.69	[illegible]	71.43	[illegible]	37	28.5
Green, Ripe, Whole, Pitted [Canned]	0.73	2.27	2.10	6.24	0.72	0.59	8	26.8
Black, Ripe, Whole, Pitted [Cured]	25.16	[illegible]	82.40	[illegible]	24.03	[illegible]	6	25.8
Green, Pimiento-Stuffed	22.87	[illegible]	67.20	[illegible]	25.54	[illegible]	12	30.2
Green, Unstuffed, Whole, Pitted	6.89	[illegible]	18.80	[illegible]	7.92	[illegible]	3	31.1
All Other Olives	12.08	[illegible]	33.16	[illegible]	13.22	[illegible]	8	29.6
Vinegar	32.25	[illegible]	[illegible]	[illegible]	28.57	[illegible]	19	24.0
White, Distilled	13.49	[illegible]	34.47	[illegible]	11.82	[illegible]	6	23.7
Cider	8.79	[illegible]	21.93	[illegible]	7.87	[illegible]	6	24.2
Wine & Herb	9.97	[illegible]	26.63	[illegible]	8.98	[illegible]	7	24.1
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	56	27.8

% of total store volume . . . 0.17%

Pickles: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Pickles	63.36	$294.32	$263.31	11.78	64.03	$ 79.71	61	27.1
Dill	36.26	168.43	150.39	12.00	36.40	45.31	36	26.9
Sour	1.15	5.32	4.83	10.14	1.13	1.41	1	26.5
Sweet	21.37	99.29	86.16	15.24	21.70	27.01	20	27.2
All Other Pickles	4.58	21.28	21.93	2.95	4.80	5.98	4	28.1
Pickle Specialties & Relishes	36.64	170.21	123.76	37.53	35.97	44.77	35	26.3
Pimientos & Peppers	18.70	86.88	57.96	49.90	17.80	22.15	18	25.5
Relishes	13.74	63.83	50.13	27.33	14.36	17.87	11	28.0
All Other Pickle Specialties	4.20	19.50	15.67	24.44	3.81	4.74	6	24.3
Total	100.00	$464.53	$387.07	20.01	100.00	$124.47	96	26.8

% of total store volume . . . 0.26%

is the first time this has occurred since we've been tracking it."

Discretionary income continued on its inflation-induced nosedive last year, Geraghty says, but pickle consumption actually increased 1% on a per capita basis. Pickle sales picked up almost 12% last year.

Geraghty attributes this metamorphosis to a change in direction by the industry and a change in consumption demographics. "As an industry we have remained relatively unresponsive to increased consumer multidimensionality," he says. "The status quo has been maintained too long."

The introduction of premium-priced kosher and refrigerated pickles, which account for the fastest-growing segment of the market, shattered that status quo.

The premium pickle is also the one favored by the heavy user group, mostly in the 35-54 age bracket, a segment that will grow as the baby boom population matures.

"We feel that quality will be critical to growth," says Moore of the emerging market, "so our association is very involved in technological improvement. " Lately this has included techniques such as pumping nitrogen gas through the vats to remove harmful carbon dioxide.

And that's only the tip of the iceberg. "We're on the verge of a whole new way of making pickles that will provide tremendous savings. That will make us more competitive on the shelf," Moore adds.

It is the last portion of that statement that is bound to make a merchandiser's ear perk up. As with other high-impulse products, pickle sales are directly related to the amount of exposure the product gets, and higher prices have scared off retailers in some areas.

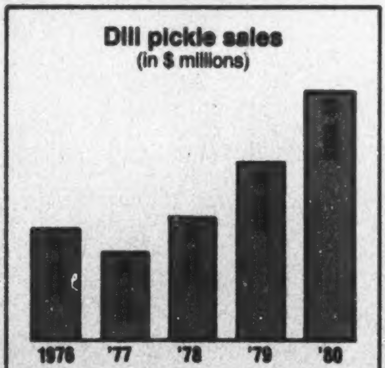
"It's self-fulfilling prophesy," says Geraghty. "If a retailer wants to think volume is going to be off and reduces space, then sales will follow. If he increases the space, sales will go up accordingly." And, he notes, at an accordingly high margin, which last year averaged 27%.

Relish: The increasing quality control that pickle manufacturers are developing is having repercussions on the relish segment of the business. Relish exists primarily because the pickle-making process used to produce large numbers of imperfect pickles. The rejects were culled from the vats and used to make relish.

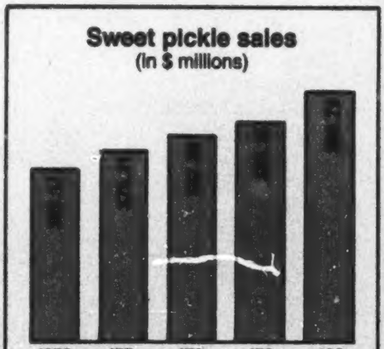
But technology is steadily diminishing the number of castoffs available to make the product. "The relish segment is going through a period of transition. Total volume is being maintained at historical levels, but the quality of chopping stock is better," says Geraghty.

The manufacturers may have to decide whether it is going to be worth investing the money in better stock in what was essentially a by-product. Sales may hold the answer, and last year relish sales moved ahead briskly on the strength of tight supplies and higher prices.

With suppliers using an increasingly higher-quality stock in production, and with sugar, the other main ingredient, slated for at least modest price hikes, the cost of relish should remain firm throughout the summer. ☐


Dill pickle sales
(in $ millions)

Source: *CSA Supermarkets*


Sweet pickle sales
(in $ millions)

Source: *CSA Supermarkets*

Variety, specialty bread on the rise

With white bread sales hinting at a comeback, and variety breads continuing their rapid ascent, bakery foods rallied from a flat year in 1979 to post a solid 12% sales increase in 1980.

The role of bakery foods in supermarkets is further bolstered by the increasing presence of in-store bakeries, many of which are turning to self-service to cut expenses and boost sales.

And after nearly seven years of bureaucratic wrangling and political jousting, the Wheat Industry Council finally came into existence to actively promote wheat-based products.

The growing national passion for nutritionally oriented foods has not been kind to white bread, still the largest bakery foods subcategory. In the past five years, sales are estimated to have fallen off annually between 5% and 9% nationwide.

White brightens: But even as manufacturers gear up to fight what they believe is a bum nutritional rap against white bread, the tide of public opinion seems to be turning in their favor. At the very least, things are looking brighter because, for the first time in years, the situation isn't getting worse.

"Yes, white bread sales have been off, there's no secret about that," says Robert Eller of the Kansas City-based Interstate Brands Corp., a leading bakery manufacturer. "But white bread is definitively more stable than it's been for quite some time; in fact, sales have been leveling off. If it is declining, it's not by nearly as much as it has been."

Manufacturers point to two factors to explain the apparent turnaround.

For the first time in five years, the decline in white bread shows signs of slowing

First, they believe that the tight economic situation has turned consumers back to staples, and to low-priced white bread in particular.

Secondly, manufacturers say that consumers are beginning to realize on their own that white bread, which by law is enriched in most states, is highly nutritional.

With an annual budget of a million dollars, the job of the Wheat Industry Council is to make sure the rest of the American public is made aware of those two points.

The council, made up of representatives from the baking industry, wheat growers, flour millers and consumer groups, is initiating an extensive education and media campaign this summer. "One of their jobs is to convey to the public that enriched white bread has a nutritional profile which is as good for you as almost any other product around," explains Laurie Gorton, editor and publishing director for *Baking Industry* magazine.

Still, this expenditure of energy and money is indicative of the depth of concern that manufacturers feel over the slippage of white bread in recent years.

But bad news for white bread is not by any means bad news for all bakery manufacturers or supermarkets.

Variety vogue: Many of the consumers who are no longer buying white bread are spending their bakery dollars in the same department, but on a different line of products.

Variety breads are in vogue, and sales are putting a sparkle in retailer's eyes. Shelves that used to be lined with rows of white breads are now filled with a potpourri of rye, wheat and other breads featuring a wide range of shapes and colors. Sales are growing 15% annually, and it's a trend that shows no signs of abating.

Behind the variety bread boom, say retailers and manufacturers, is the belief by consumers that rye and wheat breads are a more healthful and nutritious product. In southern California, where the good life goes hand in hand with natural-type products, white bread sales are off a full 35%. Variety breads, and their cousins—specialty breads like Vienna and French—are selling like hotcakes.

Bakery Foods: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bakery Foods	100.00	[illegible]	$5,712.12	12.95	100.00	$1,305.00	0	20.4
Total	100.00	[illegible]	$5,712.12	12.95	100.00	$1,305.00	0	20.4

% of total store volume . . . 3.58%

(It may be worth noting, too, that many national trends, from the hoola hoop to roller skating, sprang to prominence after getting their start under sunny southern California skies.)

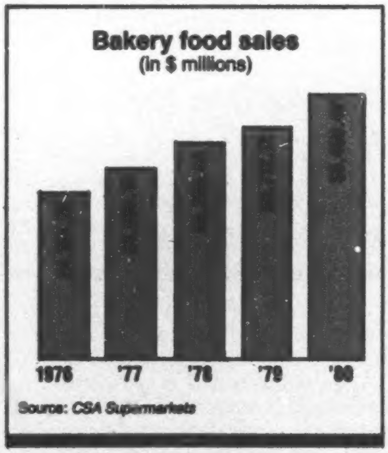
"It seems the growth of variety breads has a lot to do with changing perceptions," says Gorton of *Bakery Industry* magazine, offering an additional explanation for their strong 1980 showing. "Read the Yankolovich studies; they show the American consumer is more inner-directed. In turn, people are buying more variety breads because of their perception of themselves as unique individuals."

Illustrating the general trend away from white bread and toward variety breads are figures released by Interstate Brands Corp. On the average, white bread sales held steady over the last year, capturing 25%-32% of the commercial bakery market. Variety bread sales were up, accounting for 27%-35% of gross commercial bakery revenues. Specialty breads earned approximately 15%-20% of commercial bakery sales; buns and dinner rolls 15%-20% (a figure that would have been higher if picnicking had not been down last year because of the hot summer), and croutons, crumbs and stuffing split 1%-3% of the commercial bakery market.

In-store shops: A considerable factor in the strong performance of bakery food is in-store bakeries. In 1972 there were approximately 2,000 in-stores in supermarkets doing close to $300 million in business. By 1980 over 9,300 in-store bakeries were in operation, racking up over $2 billion in sales and completing the transformation of the bakery department from a traffic generator to a true profit center.

Fueling future growth, an estimated 1,300 new in-store bakeries are expected to appear on the supermarket scene in 1981 ringing up sales of approximately $2.5 billion.

"About the only way I can describe the situation is that everything is healthy as hell," says Peter Konn, vice president and general manager for Rich Foods, the national leader in frozen dough products for in-store bakeries. "Growth of new in-store bakeries has remained the same, between 13% and 14%. And sales in stores have been growing at around 12%. The only uncertainty is how long the growth is going to continue considering the price of money and the initial cost to install an in-store bakery."



Source: *CSA Supermarkets*

Hoping to make the in-store bakery more profitable, more and more retailers are merchandising fresh-baked goods on a self-service basis.

The result is reduced labor costs—$200-$1,000 per week per unit for one retailer—and no noticeable drop in sales. In fact, some retailers report that once consumers are confident they're getting a fresh product, they actually prefer the convenience of self-service.

The continuing dilemma facing in-store operators remains the choice between frozen-dough and scratch, or scratch-mix, bakeries.

In total numbers, frozen-dough bakeoff operations, with their reduced skilled labor needs and lower capital outlay, remain the most popular by far. Industry observers, and manufacturers such as Rich and the Connecticut-based Country Home Bakers, expect growth of these operations to continue. Increasingly, however, they're faced with a more competitive marketplace. Entenmann's, for example, recently entered the fray with a full line of bakeoff products.

Which is not to say the impact of scratch or scratch-mix bakeries can be entirely discounted. They still represent approximately a third of all in-store bakery operations.

Commercial sales: Curiously, the growth of in-store bakeries hasn't significantly undercut commercial bakery sales. "In some places in-store bakeries have had a negative effect on commercial bakery sales," admits Interstate Brand's Eller. But, he adds, reflecting the sentiments of the industry, "For the most part in-store bakeries and commercial bakery foods complement each other. Together they create the total package."

The outlook for bakery foods is bright. White bread seems poised for a revival, variety breads are expected to continue their impressive growth, in-store bakeries are on the rise. And even if the worst of the economic predictions come true, consumers may cut back on some bakery items, particularly the sweets, but bread is likely to become an even greater factor in their diets. ☐

Packers begin to see the 'light'

Until recently, with very few exceptions, shoppers in the canned fruit aisle have been offered the same type product their mothers and grandmothers bought before them: canned fruit packed in heavy syrup.

It was generally assumed that was what customers wanted, what their taste buds were conditioned to like. Not anymore. It's become clear that different shoppers want different things. Those with a sweet tooth still opt for the heavy syrup, but increasing numbers now look for fruit packed in lighter concoctions or even their own juices.

Industry spokesmen agree that the move toward "light" fruits will continue. Says Al Limata, new products manager, Dole, "It's not surprising when you look at categories throughout the industry. It's not a fad."

Ann Donovan of California Canners agrees: "It's definitely a trend. We'll be moving toward lighter syrups, but we're still investigating what configuration."

That's the question all packers must now face. It seems obvious that consumers want lighter syrups, but the question is how light, and how much shoppers will be willing to pay for them. Fruits packed in their own juice, for example, tend to be expensive.

Consumer tastes are definitely shifting toward lighter syrups and smaller cans

New formulations: The answer, at least for the time being, varies from company to company. Del Monte has opted for a syrup formulation that contains sugar, but far less than in conventional canned fruits, for their seven-item line of Lite Fruit. The giant company apparently feels that this best meets the requirements of customer taste and cost-consciousness while cutting sugar content substantially. Dick Lynch, director of product management, reports the line has been doing "better than we had planned."

On the other hand, Libby Lite fruits are packed in their own juice. Dole has also moved in that direction, breaking out from the pineapple field to offer peaches, pears, apricots, fruit cocktail and mandarin oranges in their own juice. The line has no added sugar, no artificial flavor and artificial color only in the fruit cocktail's maraschino cherries.

Dole's Carol Franz, a home economist, says the company's marketing research indicates this is the type of product shoppers want. "In 1970, Dole's juice-packed pineapple started it all," she adds. "The new line will take advantage of the strong image Dole has."

Franz also points out the new for-

Canned Fruit: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	[redacted]	1979 Dollar Volume (Millions)	[redacted]	% of Dept. Gross Profit	[redacted]	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Pie Fruits & Fruit Fillings	5.26	[redacted]	$ 58.53	[redacted]	6.27	[redacted]	9	25.8
Applesauce	16.11	[redacted]	195.79	[redacted]	15.77	[redacted]	21	20.6
Plain	14.87	[redacted]	184.96	[redacted]	14.35	[redacted]	18	20.3
All Other Applesauce	1.24	[redacted]	10.83	[redacted]	1.42	[redacted]	3	24.0
Fruit Salad & Cocktail	13.16	[redacted]	137.87	[redacted]	12.68	[redacted]	14	20.2
Salad	2.17	[redacted]	15.67	[redacted]	2.21	[redacted]	3	21.4
Cocktail	10.99	[redacted]	122.20	[redacted]	10.47	[redacted]	11	20.0
Peaches	18.57	[redacted]	213.06	[redacted]	18.16	[redacted]	24	20.5
Cling Sliced	9.75	[redacted]	111.23	[redacted]	9.53	[redacted]	11	20.5
Cling Halves	4.64	[redacted]	56.40	[redacted]	4.40	[redacted]	7	19.9
Freestone/Elberta Slices	1.86	[redacted]	20.37	[redacted]	2.01	[redacted]	2	22.7
Freestone/Elberta Halves	0.93	[redacted]	7.83	[redacted]	0.97	[redacted]	2	21.9
All Other Peaches	1.39	[redacted]	17.23	[redacted]	1.25	[redacted]	2	18.8
Pineapple	19.35	[redacted]	211.40	[redacted]	18.55	[redacted]	21	20.1
Chunks	7.59	[redacted]	76.76	[redacted]	7.05	[redacted]	6	19.5
Crushed	6.35	[redacted]	68.93	[redacted]	6.23	[redacted]	7	20.6
Sliced	5.26	[redacted]	62.66	[redacted]	5.07	[redacted]	7	20.2
All Other Pineapple	0.15	[redacted]	3.13	[redacted]	0.20	[redacted]	1	26.7
Cherries	1.56	[redacted]	15.67	[redacted]	2.06	[redacted]	4	27.1
Berries	7.89	[redacted]	73.63	[redacted]	6.59	[redacted]	10	17.5
Cranberries & Cranberry Products	6.81	[redacted]	64.23	[redacted]	5.13	[redacted]	6	15.8
All Other Berries	1.08	[redacted]	9.40	[redacted]	1.46	[redacted]	4	26.3
Apples	0.46	[redacted]	4.76	[redacted]	0.56	[redacted]	2	22.4
Apricots	2.63	[redacted]	29.63	[redacted]	3.15	[redacted]	6	25.1
Citrus	3.72	[redacted]	43.87	[redacted]	3.93	[redacted]	4	22.2
Figs	0.62	[redacted]	6.27	[redacted]	0.71	[redacted]	1	24.2
Pears	8.81	[redacted]	103.43	[redacted]	9.13	[redacted]	13	22.6
Plums & Prunes	0.93	[redacted]	14.10	[redacted]	1.09	[redacted]	4	24.6
All Other Fruit	1.24	[redacted]	14.18	[redacted]	1.47	[redacted]	4	25.0
Total	100.00	[redacted]	1,128.13	[redacted]	100.00	[redacted]	137	21.0

% of total store volume . . . 0.64%

mulation "is more healthful, more nutritious and lower in calories. It fits in with the new image Americans have of themselves as healthier."

Limata agrees with that analysis. "The fitness concept goes with the whole lifestyle change," he says. "In the 60's there was a diet consciousness. It's evolved beyond that now into overall fitness and nutrition."

He also emphasizes that light fruits and diet products are not the same thing, a fact that some supermarketers who stock the new light items on diet shelves should take into account.

"'Diet' has a negative connotation," Limata says. "It implies a weight problem, and that it doesn't taste as good."

Can size: Another shift canners report is an increasing preference for smaller cans. According to Del Monte's Lynch, "There are several reasons. Smaller-size families and the age of the population are important. Then there's the per unit price. Some products' larger cans are hitting a dollar. Larger families may be stretching smaller cans."

Says Dole's Limata, "It depends on the product category. If there's an economy of scale in purchasing a large size, people will balance it against convenience."

But he agrees on the importance of demographics. "There are more and more one- and two-member family households," he points out. "They're not conventional families. A lot of people are living together because of financial pressures, pooling their incomes."

Limata thinks convenience may be the keyword: "It's going to be much more important as the number of working women increases. It should hit 56% by 1985. Working women just have less time available."

California Canners' Donovan agrees that there are signs of movement away from large cans, but takes a more cautious stance. "There seems to be a slow backout," she admits. "Larger cans are being taken off some shelves, and the #303 size is becoming more popular. But it's a little early to determine how much of a trend it is."

Slowing growth: Sales expansion of canned fruit has been disap-

Unit Movement

The following chart shows each canned fruit category's share of total unit movement, measured in units per store per week.

Category	Share of Total Unit Movement (%)
Pie Fruits & Fruit Fillings	2.91
Applesauce	15.58
Plain	14.46
All Other Applesauce	1.12
Fruit Salad & Cocktail	13.13
Salad	2.09
Cocktail	11.04
Peaches	19.23
Cling Sliced	10.51
Cling Halves	4.62
Freestone/Elberta Slices	1.94
Freestone/Elberta Halves	0.82
All Other Peaches	1.34
Pineapple	21.25
Chunks	7.98
Crushed	7.31
Sliced	5.74
All Other Pineapple	0.22
Cherries	0.82
Berries	10.22
Cranberries & Cranberry Products	9.62
All Other Berries	0.60
Apples	0.30
Apricots	2.39
Citrus	3.80
Figs	0.30
Pears	8.05
Plums & Prunes	0.75
All Other Fruit	1.27
Total	100.00

pointing, but the reasons for the slowdown are uncertain. There's some indication that consumers are turning more to fresh fruit, which may be hurting the category. The question is, why is fresh getting the nod over canned?

Says Donovan, "Consumers may be seeing canned fruit as a luxury. It may be an economic issue. There seem to be more and more home gardens, which are economically sound. It could simply be that fresh is getting more popular for health reasons."

Limata sees another side to it: "Many canners haven't consistently been putting support money behind specific fruit. They advertise their brand, but not individual items. We [Dole] spend millions just on one item—pineapple—both on advertising and recipe development. Its success is a direct result of the support we give it. Pineapple has prospered because we spend money on it," he emphasizes.

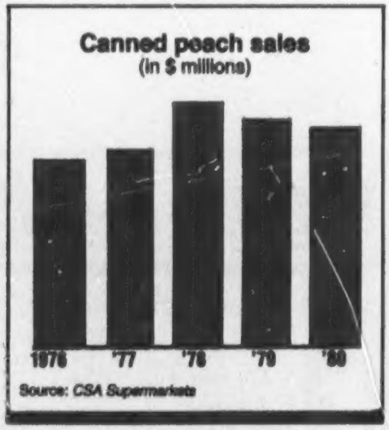
He adds that Dole will be giving its Fruit in Juice line similar support. Still, he admits, pineapple has some advantages over other types of fruit: "Pineapple is counter-trend by the nature of the product. It's one of the most unique fruits, because it can be consumed in so many ways. It can be used as an ingredient, as a spoon fruit and as a topping for both entrees and desserts. Versatility is very important today. And pineapple even dresses up the table."

Limata speculates that the future of canned fruit may be brighter than the present. "The shelf space the retailer has allocated the category has consistently shrunk," he admits. "Today, the emphasis is on higher margin items, like nonfoods. The space for those nonfoods has come from somewhere.

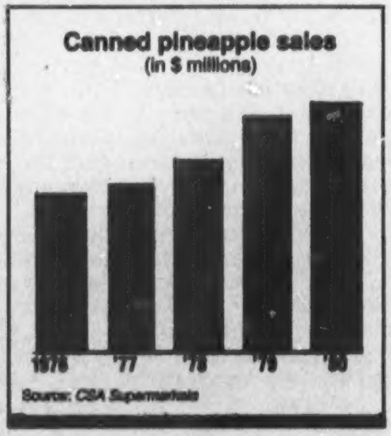
"Traditionally, canned fruit has been stable, but not dynamic. Now, there will be a full assortment of choice—syrup-packed, juice-packed and light-syrup packed. By giving consumers what they want, we may produce a reversal of the trend, a revitalization of the category."

That may happen, but one thing seems more certain. Shoppers are changing their attitudes, and canners had better stay on top of both established and incipient trends. Despite abundant fruit supplies ("Mount St. Helen's ash only helped the pears grow better," says one spokesman), the category may suffer if consumers decide packers are not fulfilling their needs.

Donovan hits a warning note. "Packers should be making a more conscious effort to track down what consumers need in the years ahead," she says. If not, they may not find out until it's too late. ☐



Source: CSA Supermarkets



Source: CSA Supermarkets

Yogurt turning into the big cheese

Holy cow! The nation's dairy herd is serving notice that if there is a productivity problem in this country, it doesn't lie with them. Last year, old Bossie and friends delivered a record 128,425 million lb. of milk.

Not content with past performance, the bovine brigade is bigger and better this year: In the first quarter there were 100,000 more cows producing an average 3.5% more milk than last year, according to Clifford Carman of the U.S.D.A.

That is far more milk than the populace can absorb, but by law the Commodity Credit Corp. must buy the oversupply. In May that amounted to 1.7 billion lb. of milk, the largest purchase in any single month since March 1962.

Last year the Government quadrupled its purchases of milk, tripled its purchases of butter and raised its purchases of American cheese eightfold. Trimming the supply in this way ensures a minimum price to dairymen.

Most action was legislative, but cuts in subsidies will have little retail effect

The dairy subsidies, part of the Farm and Agriculture Act of 1977, became one of the bigger political footballs of the early Reagan Administration. Congress eventually passed legislation retracting the scheduled April 1 subsidy adjustment, and may do so again for the one scheduled for Oct. 1.

The revision of the legislation caused wide swings in the purchase of dairy products pre- and post-passage. As the doom of the subsidy became more apparent, buyers began withdrawing from the market, correctly anticipating a price drop.

As a result, commercial use of butter during the first three months of 1981 dropped 23% but rebounded sharply in April, increasing 48% over year-ago levels.

At a retail level, the effect was less noticeable, and U.S.D.A. is predicting price increases for this year in the range of 9% to 11%. Consumption of dairy products, however, is expected to improve, says Carman, because of the expected increases in the price of meat in the third and fourth quarter.

Dairy Products: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Fluid Milk Products	27.66	$ 5,584.86	$ 5,094.81	9.62	24.69	$1,196.07	16	20.7
Yogurt	4.37	881.23	751.97	17.19	4.34	[illegible]	69	22.9
Eggs	14.32	[illegible]	2,847.57	[illegible]	8.67	421.9[illegible]	18	14.6
Cheese	16.61	[illegible]	3,094.06	[illegible]	21.04	[illegible]	160	29.2
Ice Cream/Ice Milk	11.42	[illegible]	2,114.62	[illegible]	12.98	[illegible]	102	26.2
Margarine	6.46	[illegible]	1,278.36	[illegible]	6.66	[illegible]	41	24.4
Butter	4.57	[illegible]	845.97	[illegible]	3.33	[illegible]	11	16.6
Refrigerated Juices & Drinks	4.96	[illegible]	896.76	12.01	6.06	270.2[illegible]	32	27.6
Refrigerated Dough Products	1.73	[illegible]	346.22	[illegible]	1.94	[illegible]	30	25.1
Refrigerated Salads	0.07	[illegible]	17.23	−12.[illegible]	0.12	[illegible]	6	[illegible]
Fish & Fish Snacks	0.30	[illegible]	86.16	−[illegible]	0.41	[illegible]	13	31.[illegible]
Toppings	0.30	[illegible]	61.10	− 1.[illegible]	0.37	17.17	5	28.4
Yeast	0.09	17.73	9.40	[illegible]	0.08	3.7[illegible]	2	21.2
Party Snacks	0.54	109.2[illegible]	107.90	1.12	0.71	[illegible]	42	30.2
Cottage Cheese	4.79	[illegible].27	741.34	[illegible]	5.71	[illegible]	30	27.6
All Other Dairy Case Items	1.77	[illegible]	251.06	41.9[illegible]	2.21	102.9[illegible]	28	28.9
Total	100.00	$20,102.84	$18,346.46	10.01	100.00	$4,[illegible]	638	23.1

% of total store volume . . . 11.29%

On a product by product basis, supermarket sales reflect a basic stagnation in the industry. Milk consumption, which has been deteriorating, should show some improvement this year after holding steady in 1980. Sales increased 9.6% to $5.5 billion, and milk remains the department's leading profit producer.

Government statistics indicate an increase in cheese consumption last year, both for American and other varieties, but a Brie-like market—semisoft—held down prices and sales to an 8.3% increase.

Butter consumption increased a pat last year, 0.4%, producing a sales increase of 9% at supers. Although margarine sales increased a marginal 2.35%, actual tonnage movement is probably double that as prices trended lower throughout most of last year. In February of this year prices reached their lowest wholesale level since 1979, according to U.S.D.A.

Yogurt: Once again most of the real marketing action was in yogurt, which jumped 17% last year amid a flurry of activity. The introduction of Yoplait, along with heavy promotional activity by other brands, put pressure on No. 1 Dannon (Beatrice Foods). Dannon is returning the fire, introducing Mélangé to compete in the fast-growing French-style yogurt subcategory. In either style, the yogurt wars are expected to keep sales moving quickly for the rest of the year.

Canned & Dry Milk: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Canned Milk	48.49	$191.60	$171.48	11.82	38.36	19.[illegible]	7	10.3
Evaporated	39.42	156.02	139.43	11.90	27.37	14.04	6	9.0
Condensed	9.07	35.58	32.03	12.0[illegible]	10.98	[illegible]	1	15.7
Dry Milk	46.13	182.62	177.03	3.1[illegible]	68.25	[illegible]	11	16.4
Plain	43.44	171.98	167.63	2.60	63.29	27.34	10	15.9
Flavored	2.69	10.64	9.40	13.19	4.96	2.5[illegible]	1	23.9
All Other Canned & Dry Milk	5.38	21.38	21.89	− 2.[illegible]	3.40	1.79	3	8.2
Total	100.00	[illegible]	$279.42	[illegible]	100.00	[illegible]	21	12.8

% of total store volume . . . 0.22%

Eggs: Although per capita consumption of eggs actually dropped 1%, supermarket sales stayed relatively strong. The category registered a 9% sales increase, a figure that represents some real growth since egg prices were actually below year-ago levels for much of 1980.

Egg producers operated at a loss from mid-March through the rest of the year, but production cuts raised prices substantially in January. Egg prices are averaging 10 cents to 13 cents a dozen higher than last year, says U.S.D.A., and should remain at those levels throughout the rest of the year.

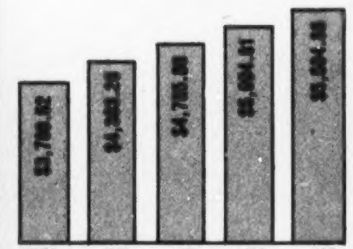
Consumption levels are down again this year, through the first quarter, but higher meat prices in the third and fourth quarter should push sales up at retail.

Cottage cheese, the darling of the dieting set, set itself miles ahead of most dairy products in sales last year, a measure of the product's strength both in brand and private label. Sales increased over 30% in 1980, marking the second consecutive 25 plus per cent increase for cottage cheese.

Refrigerated juices and drinks made steady, if less dramatic, gains last year, finishing neck and neck with inflation at 12%, but that situation is due to change. Higher prices for orange juice, the result of a freeze in Florida in January, will advance sales well beyond last year, because the price did not fail to ration demand.

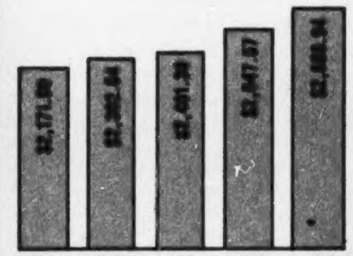
Not all categories in the dairy case got into the plus column last year. Refrigerated salads and fish snacks each suffered setbacks, based largely on the explosive growth of in-store delis, which drew demand from the dairy case, no doubt hiding the real performance of these products. ☐

Fluid milk sales
(in $ millions)



Source: *CSA Supermarkets*

Egg sales
(in $ millions)



Source: *CSA Supermarkets*

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Sales gel with increased promotion

Sales of gelatin and pudding and pie filling, the staples of the dessert market, swung upward last year as intensive advertising gave new life to the category.

Although part of the dollar volume increases can be attributed to inflation, strong promotional efforts helped bring the traditional favorites back to top-of-mind positions.

Flavored gelatin's hefty 33.15% rise was aided by the extensive "Make Some Fun" campaign launched by Jell-O. Presenting the product as not merely a dessert, but as an entertaining event welcomed even on important family occasions, gave gelatin a new image.

Pudding and pie filling sales also increased, up 19.17% in 1980. Instant pudding sales did particularly well, reflecting busy shoppers' yen for convenience.

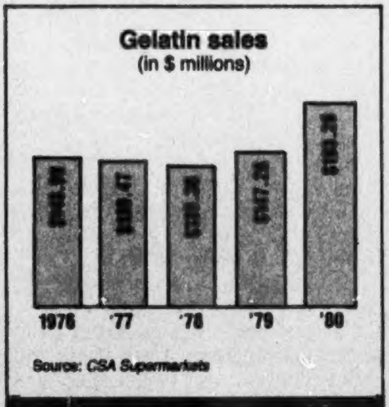
General Foods' heavy advertising featuring Bill Cosby and a gaggle of cute kids helped boost sales, as did its recipe-oriented ads. Particularly successful was the pudding-in-a-cloud promo, with TV ads uniting Cosby and "Sara Tucker," the spokesman for the other key ingredient, Cool Whip.

Another major advantage for both pudding and pie fillings and gelatin is their per-serving price. Consumers facing rising prices are turning more and more to the old reliables; the advertising that stresses easy ways to make fancy-looking desserts and the social acceptability of the products have bolstered the trend.

One retailer move, however, may eventually have a negative effect on sales: Putting the cardboard boxes in metal "dump" bins. Desserts is a high-impulse category, and the elimination of the brightly colored, appetizing-looking boxes from the shelves may hurt sales more than the time saved by this method of merchandising will justify.

Prepared toppings: It was a very good year indeed for prepared toppings. Sales zoomed as consumers, forced by the tight economy to eat at home more often, looked for ways to dress up their ice cream.

A spokesman for Smuckers, which claims to hold the No. 1 share, says the company is "very optimistic about the market." Putting its money where its mouth is, Smuckers is presently expanding its line; Hot Fudge, for example, is debuting nationally this summer. "It's the only one in glass packag-



Source: CSA Supermarkets

Desserts & Toppings: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Chg.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Gelatin	34.35	[illegible]	$147.26	[illegible]	31.18	[illegible]	43	19.5
Flavored	31.51	177.30	133.16	[illegible]	28.50	[illegible]	39	19.4
Unflavored	2.21	12.41	10.97	[illegible]	1.95	[illegible]	3	19.0
Drinks	0.63	[illegible]	3.13	[illegible]	0.73	[illegible]	1	24.9
Pudding & Pie Filling Mixes	30.88	[illegible]	145.80	[illegible]	30.35	[illegible]	40	21.1
Pudding & Pie Filling	13.55	[illegible]	65.80	[illegible]	13.27	[illegible]	21	21.0
Instant Pudding	11.97	[illegible]	54.83	[illegible]	11.45	[illegible]	14	20.3
Pie Filling	1.89	[illegible]	9.50	[illegible]	2.19	[illegible]	2	24.8
Refrigerated Pie Mixes	2.21	[illegible]	9.40	[illegible]	2.12	[illegible]	2	20.6
Egg Custard	1.26	[illegible]	6.27	[illegible]	1.32	[illegible]	1	22.4
Whipped Desserts	0.51	[illegible]	2.30	[illegible]	0.43	[illegible]	1	20.4
Topping Mixes	3.15	[illegible]	12.53	[illegible]	3.60	[illegible]	3	23.8
Prepared Toppings [Not Frosting]	12.29	[illegible]	37.60	[illegible]	13.55	[illegible]	12	23.6
Chocolate	9.14	[illegible]	26.63	[illegible]	9.67	[illegible]	5	22.7
All Other	3.15	[illegible]	10.97	[illegible]	3.88	[illegible]	7	26.4
Canned Puddings	2.21	[illegible]	15.90	[illegible]	2.47	[illegible]	5	24.6
Individual Servings Canned Pudding & Fruit	7.88	[illegible]	30.17	[illegible]	7.84	[illegible]	9	22.5
Rennet	0.44	[illegible]	1.87	[illegible]	0.46	[illegible]	3	22.1
Maraschino Cherries	4.41	[illegible]	31.39	[illegible]	5.29	[illegible]	5	25.7
Mince Meat	1.57	[illegible]	7.83	[illegible]	1.62	[illegible]	3	22.1
Tapioca [Dry]	1.57	[illegible]	7.83	[illegible]	1.66	[illegible]	1	22.5
All Other Desserts & Dessert Mixes	1.25	[illegible]	6.53	[illegible]	1.86	[illegible]	2	25.8
Total	100.00	[illegible]	$457.55	[illegible]	100.00	[illegible]	127	21.4

% of total store volume . . . 0.32%

ing," says the spokesman: "This way, it can be put in microwave ovens, which products in metal pouches can't."

Other additions are available on a limited basis, such as a Carob topping. "It's perceived as a health food product," points out the spokesman. The industry will eagerly await sales results, as a "natural" topping could make quite a splash with increasingly health-conscious shoppers.

Also in limited distribution are two brittle-top products, chocolate and chocolate nut. Marketed in a pourable plastic jar, the product hardens when it comes in contact with the cold ice cream.

This is somewhat similar to Formost-McKesson's Magic Shell, an extremely successful item, according to industry observers. The topping, which hardens in a few seconds to form a candy-like shell, has been supported by an extensive advertising campaign that is somewhat unusual in this category. Generally, toppings depend on in-store merchandising to increase sales.

Kraft, the other toppings power, has also been active. This year it's repositioning its products with new packaging "highlighting the quality of the line," according to Marty Hunt, product manager. Kraft fields eight flavors, of which Fudge remains the leader.

Kraft also produces a Marshmallow Cream topping; in addition to being an ice cream garnish, it is also promoted as a "secret ingredient" in such dishes as dips and meringues. This is designed to double its sales potential.

Of course, chocolate syrup remains a popular topping as well as a milk modifier. RJR Foods' Milk Mate and Hershey's lead the squeeze-bottle liquid field, which continues to gain ground at powder's expense.

Canned pudding, buffeted from several directions, took it on the chin again last year. Snack-size cans lost sales to refrigerated and frozen versions, as well as to other snack alternatives. An industry observer points out that a cutback in advertising by Hunt's contributed to the slump.

A possible perception of canned pudding as lacking nutritional value may also be turning shoppers off. Still, Robert J. Graves, president of Real Fresh, producers of private label puddings, points out, "Puddings contain a substantial protein proportion derived from the high milk solids from which the puddings are made." The problem may be in getting this message to the public.

What steps can retailers take to increase their canned pudding sales? Bob Blackburn, director of marketing for Michigan Fruit Canners, which makes Thank You canned puddings, suggests a look at the layout of the dessert department. "Too often canned pudding is relegated to the bottom shelf," he says. "A look at unit profit shows they should be put up where they'd have more visibility." □

Pasta uses its noodle for nutrition

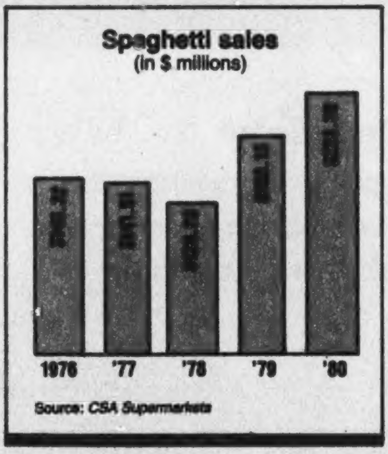
In 1980, when pasta tonnage went flat after years of ascent, the seers, caught with their predictions down, rushed forth with a spate of explanations.

And all of them were valid.

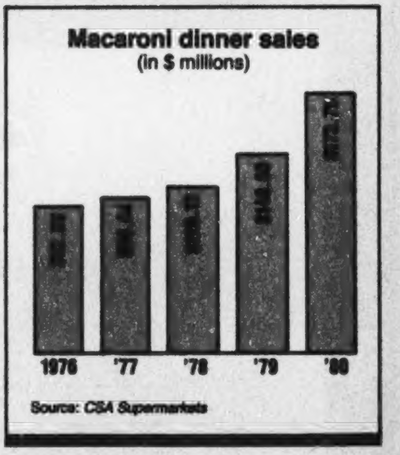
The big unpredictable—the weather—triggered a price increase in a pocketbook-watching environment. A drought in the summer, followed by six weeks of rain during the harvest season, caused a shortage of quality durum wheat. When the price rose to $7-$8 a bushel, retail prices jumped 10 cents a pound. As a result, shelf stickers went from 63 cents a pound to a high of 81 cents, giving pasta the dubious distinction of outstripping all other grocery products in price increases.

High interest rates, the *bête noire* of the economy, contributed to pasta's plight as well. The reason: Because of the high cost of money, retailers reduced inventories and were less prone to load up on deals. With less inventory, the stores didn't push as hard to move product. So unit sales suffered.

Escalating pasta prices have exacerbated another pressure point, widening the price gap between pasta and other carbohydrates (rice, beans, potatoes).


Spaghetti sales
(in $ millions)

Source: *CSA Supermarkets*


Macaroni dinner sales
(in $ millions)

Source: *CSA Supermarkets*

Yet from such adversity may come strength, and potatoes may provide the catalyst.

A Midwest pasta executive says, "The potato industry was hurt by the high-calorie stigma several years ago, but through an aggressive advertising program by the Potato Board, it has made a dramatic turnaround. The board has been able to get consumers to believe that potatoes are lower in calories than they think."

An East Coast marketing exec adds, "Although the potato industry is fragmented, they have been able to unite behind a cohesive program. Not so with pasta. The transition from family ownership to large corporations has resulted in a technical

Pasta Products: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Macaroni Dinners	17.99	$173.75	$148.83	16.74	12.34	$ 28.12	7	18.2
With Cheese	10.28	99.29	117.50	− 15.49	6.32	18.96	6	19.1
All Other Macaroni Dinners	7.71	74.46	31.33	137.66	4.02	9.16	1	12.3
Noodle Dinners	6.24	60.25	56.39	6.85	6.52	14.87	18	24.7
With Meat	2.02	10.50	7.83	149.04	2.25	5.13	7	25.3
All Other Noodle Dinners	4.22	49.75	48.56	− 16.01	4.27	9.75	11	23.9
Spaghetti Dinners	2.57	24.82	26.64	− 6.82	2.47	5.62	3	22.6
With Meat	1.47	14.18	15.67	− 9.50	1.31	2.98	1	21.0
All Other Spaghetti Dinners	1.10	10.64	10.97	− 3.00	1.16	2.64	2	24.8
Noodle Mixes	1.10	10.64	6.27	69.70	1.31	[illegible]	4	28.0
Macaroni	18.54	179.07	180.16	− 0.60	19.98	45.86	29	25.4
Elbow	8.81	85.10	73.63	15.58	9.18	20.94	10	24.6
All Other Macaroni	9.73	93.97	106.53	− 11.79	10.80	24.92	19	26.2
Noodles	18.53	179.07	121.63	[illegible]	18.79	42.82	26	23.9
Flat	11.01	106.38	92.43	15.09	12.32	28.06	16	26.4
All Other Noodles	7.52	72.69	29.20	157.77	6.47	14.76	10	20.3
Spaghetti	23.11	[illegible]	180.16	[illegible]	25.42	[illegible]	22	26.0
Regular	16.69	161.34	126.90	27.14	18.29	41.79	15	25.9
All Other Spaghetti	6.42	[illegible]	53.26	16.50	7.13	10.29	7	26.2
Pizza Mix	2.75	[illegible]	[illegible]	− [illegible]	3.29	[illegible]	5	27.4
One-Pot Dinners to Which Fresh Meat/Fish Is Added	5.87	56.74	42.30	34.14	6.34	14.43	11	25.4
With Noodles or Macaroni	2.20	21.28	18.80	13.16	2.43	5.53	4	26.0
With Rice	0.37	3.55	3.13	13.42	0.45	1.02	1	28.6
All Other One-Pot Dinners With Meat/Fish Added	3.30	31.91	20.37	56.66	3.46	7.88	6	24.7
Noodles With Sauce Mixes	2.20	[illegible]	12.53	[illegible]	2.60	[illegible]	6	[illegible]
All Other Pasta Dinners	1.10	10.64	9.40	[illegible]	1.04	2.37	1	22.3
Total	100.00	[illegible]	$811.51	19.07	100.00	[illegible]	132	23.8

% of total store volume . . . 0.54%

change of ownership only. The interplay of egos among the families—everyone wants to be chief—has hurt."

But that is changing. Through increased efforts by the National Macaroni Institute, pasta makers are megaphoning the product's nutritional value. Prince Macaroni's Superoni, originally developed for the school lunch program, is a soy-enriched product with 41% more protein than inexpensive beef cuts. After debuting in New York State, Superoni will enter the New England market this fall. The product is unit-priced the same as regular 16-oz. pasta but comes in a 12-oz. box.

Ronzoni Macaroni is trumpeting pasta as the "Food of the Eighties" for athletes. A one-minute radio commercial points out that pasta is a complex carbohydrate, which converts to energy quickly.

High wheat prices flattened sales; new marketing plan could offset the trend in '81

Trim new look: Pasta's "fattening" image is also being gunned down. Prince's answer is Light Spaghetti. It has a different wheat formulation and requires extended cooking time—but has half the calories.

Ronzoni is taking a different tack—that the sauce is the culprit. The company has introduced Lite 'n' Natural on the East Coast. A spokesman for Ronzoni says it's now possible to dish up a complete meal with fewer than 300 calories: 210 calories for 2 oz. of pasta (which cooks to 5-6 oz.), and 4 oz. of Light 'n' Natural with 45 calories (marinara) or 50 calories (meat).

In other developments, deals on pasta have accelerated, from two to three times a year to weekly.

Private label and generics are on the rise—especially macaroni/cheese dinners. Private label on mac/cheese accounts for 20%-plus in tonnage, generics 10%.

Add-to dinners (meat and tuna) are down because, says an exec, "There is a psychological barrier when prices break $1."

The hope for 1981 is that the weather cooperates. Plantings for 1981 are 15%-20% over last year, and raw materials should decline 2 cents to 3 cents a pound. Even with increased costs of transportation, packaging, etc., the net "plus" could be lower prices than last year. ☐

Sales up as consumers slim down

America's growing obsession with removing rolls that hang over belts and bulges that spill over girdles provided the impetus for a strong year, and a bright prognosis for the future, in the dietetic and lo-cal category.

With an estimated 50% of the population on diets, and with many people forced to control their sugar and/or salt intake for health reasons, the category enjoyed a solid, inflation-beating 13% sales rise. The dollar sales volume hit an all-time high of $603.7 million in 1980, compared to $534.2 million in 1979.

In all likelihood, these figures mask even greater growth. Many "diet" items, often called "light," are being merchandised in regular sections of supermarkets.

Tuna fish, for example, has undergone a diet-inspired metamorphosis. Where once tuna packed in water was a hard item to find, it now represents approximately 50% of all tuna sales—and the percentage is spiraling upward. Manufacturers say the product, which has half the calories of oil-packed tuna, is sold mostly in the canned fish departments.

This cross-merchandising has created a dilemma of definition for manufacturers. Labeling a product reduced-calorie or low-calorie invokes detailed restrictions by the F.D.A. However, "light" is an unregulated term, and as Richard Chudik of Chicago Dietetic explains, "You can call anything 'light.' It's a way to get around the regulations. There's light beer, even light maple syrups. I don't know what it means, and I've been in this business for 26 years."

America's passion for losing weight continues unabated, boosting volume 13%

Changing habits: Indicative of the commitment to weight- and health-consciousness among Americans is the report issued by the Senate Select Committee on Nutrition and Human Needs, chaired by Sen. George McGovern. Among its many controversial findings was a recommendation that refined sugar consumption should be cut as much as 45%.

As Carol Franz, home economist for Castle and Cook Foods, explains, "There's been a definite change to dietetic and more nutritionally beneficial foods. People realize they can reduce their weight and cut their chances of getting heart disease, hypertension, stroke and diabetes."

"The public's eating habits are changing," says Chudik of Chicago Dietetic. "People are scaling down the amount of fabricated products with excessive sugar and salt."

But one fabricated product that is inextricably linked to the get-slim-and-healthy boom is saccharin, the sugar substitute in artificial sweeteners.

Marvin Eisenstadt of Cumberland Packing, makers of Sweet 'N Low, which is the leader in this $80 million subcategory, expresses both concern and optimism about his product. "Business is good and

Dietetic & Low-Calorie Foods: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Supplements	7.92	$ 47.79	$ 40.73	17.33	7.79	$ 11.88	20	24.9
Liquid	4.70	28.37	23.50	20.72	4.41	6.72	11	23.7
Powdered	0.88	5.32	7.83	−32.05	0.81	1.24	3	23.3
All Other Diet Supplements	2.34	14.10	9.40	50.00	2.57	3.92	6	27.8
Artificial Sweeteners & Sugar Substitutes	13.22	79.78	67.36	18.44	13.57	20.66	14	25.9
Salt Substitutes & Low Sodium Salt	1.17	7.09	6.27	13.08	1.16	1.77	3	25.0
Candy & Gum	1.49	9.01	7.83	15.07	2.11	3.21	6	35.6
Cookies & Crackers	6.01	36.25	32.90	10.18	5.66	8.63	4	23.8
Desserts & Toppings	3.23	19.50	18.80	3.72	2.91	4.43	9	22.7
Spreads & Syrups	11.16	67.37	42.30	59.27	10.26	15.63	10	23.2
Sauces & Dressings	8.81	53.19	56.40	− 5.69	8.14	12.39	14	23.3
Dinners [Not Supplements]	16.15	97.51	98.70	− 1.20	18.31	27.89	12	28.6
Fish & Meats	0.88	5.32	4.70	13.19	0.50	0.76	1	14.2
Vegetables	0.59	3.55	3.13	13.42	0.61	0.93	4	26.2
Fruits	9.69	58.51	46.56	25.49	9.76	14.86	21	25.4
Juices & Drinks	16.74	101.06	76.78	31.62	16.00	24.36	8	24.1
All Other Low-Calorie Products	2.94	17.73	29.77	−40.43	3.22	4.91	4	27.7
Total	100.00	$603.66	$534.23	13.00	100.00	$152.31	130	25.2

% of total store volume . . . 0.34%

sales are growing 15% per year, but the F.D.A. could ban saccharin when the moratorium ends June 30. I don't think Congress will allow it; they tried in 1977, and the people said no way. I'm anxious, though, and I'd like to see an extension. Most likely it looks like they're going to do nothing and just let things go on."

Last year Cumberland introduced a new product, Butter Buds, which Eisenstadt says is doing very well. Sold in diet sections, it consists of all-natural granules that are reconstituted with water and are far lower in calories and cholesterol than regular butter.

The big winner last year was dietetic spreads and syrups. Sales in this $67 million subcategory rose almost 60%. "It did so well because of two factors," explains Chuck Lane of Smuckers. "Consumers are very concerned about added sugars, and there were a lot of new product entries supported by a lot of promotion."

Estee Corp., which acquired Louis Sherry earlier this year, looks to make a big push in this area.

The big loser in 1980 was dietetic dinners. Consumers continued trading down to one- and two-compartment meals, and diminished traffic in frozen foods sections hurt this $97 million segment.

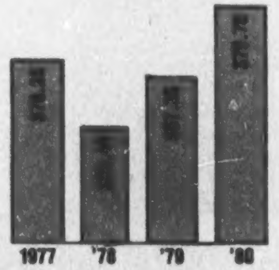
This country's penchant for slimming down has created a bit of a revolution in canned fruits. Growth in this area was a substantial 20.5%, a figure that may be higher because much of this product is sold outside the diet section.

Companies like Dole, Del Monte and Diet Delight have achieved success with canned fruit by packing it in natural juices, rather than the traditional sugary syrups. Dole is enthusiastic about its year-old line of Fruits in Juice, and Diet Delight, which packs its fruit in concentrated grape juice, is optimistic about sales in 1981.

"Anything sugar free is doing well," says Dave Stalls of Estee, who reports that his company's sales of sugar-free cookies are up over 30%, while assorted hard candy enjoyed a climb of over 60%. Those are particularly bright figures, but they are also indicative of strong performances by dietetic cookies, candies, crackers and gum as a whole.

Low-sodium items like canned fish, meat and vegetables rode the health wave to respectable sales gains of around 13%, though that was a leveling off from larger gains in 1979. As one leading manufacturer says, "When you don't add salt, this stuff tastes pretty blah, and consumers often think something's wrong with it. They're steady sellers because there are people on medical diets who need them, but they just don't move off the shelves the way reduced or no-sugar items do." ☐

Artificial sweetener sales*
(in $ millions)



*1978 figure not available
Source: *CSA Supermarkets*

‘High yield’ only grounds for growth

Health scare brewed trouble for slumping coffee sales; tea on the rocks moved best

A health scare is probably the last thing the coffee subcategory needed in 1980, but it got one anyway. Worry about the alleged connection between the ingestion of caffeine and pancreatic cancer had the expected negative effect on sales of both ground and instant coffee.

Ground and whole bean coffee sales rose just 4.21% last year, going from $2.22 billion to $2.31 billion. Instant coffee fared slightly better, notching an 8.54% improvement, from $955.62 million in 1979 to $1.04 billion in 1980.

If manufacturers have reacted to this latest bad news with more restraint than might otherwise have been expected, chalk it up to the coffee-makers' long experience with adversity. Although java is still America's second-favorite beverage, per capita consumption has fallen steadily since the end of World War II.

The typical coffee drinker in this country consumed 27.8 gal. of coffee last year, down slightly from the previous year's average of 28 gal. per person. By way of comparison, the typical American quaffed 35.7 gal.—a drop of more than 22% during the course of a single decade. The fact is, coffee will be hard-pressed to preserve its long-time No. 2 ranking among beverages against the challenge of beer over the next few years. Brew-lovers now down 24.8 gal. of suds annually, and the two sales trend lines are likely to cross in 1985 or 1986.

Coffee sales have suffered grievously from a long-range shift in the drinking tastes in the United States. Where once most people preferred warm or hot potables, these days cold drinks are definitely more popular.

Of course, the preference for cold beverages probably doesn't account for the dip in coffee popularity all by itself. Among those who believe the situation is a good deal more complex is David Kuhnert, director of public relations for the National Coffee Association of the U.S.A. "Soft drinks have, indeed, replaced

Coffee: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Specialty Coffees	1.97	$ 81.[illegible]	$ 61.10	[illegible]	2.88	$ 12.2[illegible]	6	16.3
Ground & Whole Bean Coffee	55.78	2,310.[illegible]	2,216.76	4.21	44.12	[illegible]	[illegible]	9.8
Drip	17.41	721.[illegible]	659.54	9.41	13.57	68.27	12	9.6
Fine	1.80	74.4[illegible]	73.63	1.13	1.41	7.22	1	9.7
Regular	12.25	507.07	531.06	– 4.51	9.83	50.20	12	9.9
Electric Percolator	8.91	365.76	416.28	–11.82	7.44	37.96	9	10.3
All-Purpose	5.48	226.94	236.56	– 4.06	4.[illegible]	20.46	3	9.0
Decaffeinated Ground/ Whole Bean Coffee	6.38	264.11	191.13	38.21	4.98	25.35	5	9.6
Flaked Coffee	3.55	147.16	106.53	38.14	2.91	14.88	4	10.1
Coffee Creamers [Powdered]	3.[illegible]	152.4[illegible]	144.13	[illegible]	6.83	34.91	11	22.9
3 oz.-8 oz.	0.39	15.98	15.67	1.85	0.74	3.77	1	23.6
9 oz.-13 oz.	0.69	28.37	23.50	20.72	1.33	6.81	2	24.0
Over 13 ozs.	2.61	108.1[illegible]	104.96	3.04	4.76	24.33	8	22.5
Instant Coffee	25.06	1,037.[illegible]	[illegible]	[illegible]	25.89	147.84	26	14.2
2 oz.	1.58	65.69	62.66	4.89	2.32	11.87	3	18.1
4 oz.	1.16	47.87	45.43	5.37	1.06	8.57	2	17.9
6 oz.	3.60	148.99	161.36	– 7.69	4.29	21.89	3	14.7
8 oz.	2.10	86.89	72.06	20.57	2.64	14.51	3	16.7
10-16 oz.	7.92	328.00	324.29	1.14	7.26	37.05	5	11.3
All Other Sizes of Instant Coffee	0.13	5.32	9.40	–43.39	0.17	0.89	1	16.8
Decaffeinated Instant Coffee	8.57	354.56	280.42	26.45	10.34	52.83	9	14.9
Freeze-Dried Coffee	12.34	510.[illegible]	448.05	[illegible]	13.79	[illegible]	10	13.8
Regular—All Sizes	7.71	319.13	285.12	11.93	8.43	43.08	6	13.5
Decaffeinated—All Sizes	4.63	191.47	162.93	17.52	5.36	27.36	5	14.3
Coffee Filters	1.16	47.97	[illegible]	[illegible]	3.77	[illegible]	9	46.2
Total	100.00	[illegible]	$3,901.56	7.36	100.00	[illegible]	[illegible]	13.3

% of total store volume . . . 2.32%

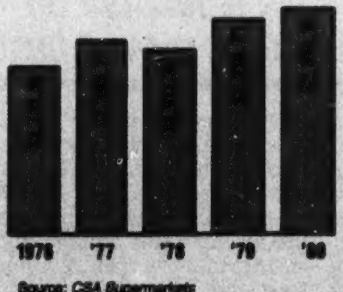
coffee as the No. 1 beverage, and that certainly does tell you something," acknowledges Kuhnert. "But whatever the reasons for the decrease, I think if it was only one cause, the major marketers could have isolated it and halted the trend."

The National Coffee Service Association believes that flaked coffee—the high-yield brands that are generating most of the sales excitement at the present time—may be at least partially to blame for the recent fall-off in consumption. "We can see a direct relationship between the decline and trying to get more cups out of the coffee, which is what's happening with high yield," states Robert Weber, vice president of N.C.S.A.

"There's no richness," Weber maintains, "when you try to get 80-100 cups per pound instead of 60. What you get is more bitter taste, and fewer people drinking coffee." Accordingly the London, England-based International Coffee Organization is funding a $600,000 promotional campaign through which the N.C.S.A. hopes to "re-educate Americans about coffee."

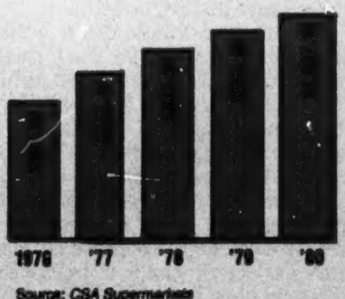
Companies like Procter & Gamble (Folger's Flaked) and Hills Brothers (Hills High Yield) would undoubtedly dispute this contention. These labels, which boast a strong appeal for economy-minded shoppers, are almost the only brands registering unit movement

Ground & whole bean coffee sales
(in $ millions)



Source: *CSA Supermarkets*

Instant coffee sales
(in $ millions)



Source: *CSA Supermarkets*

Tea: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/Brands/Sizes at Whse.	Avg. Gross Margin (% of Retail)
Tea Bags	54.51	$316.14	$362.46	1.99	46.50	$ 69.26	29	22.4
16-Count	7.62	44.32	34.47	28.58	6.96	11.75	10	26.5
48-Count	10.06	58.51	57.96	0.95	9.27	12.11	2	20.7
100-Count	28.96	168.43	189.56	−11.14	21.66	26.30	5	16.8
All Other Tea Bag Counts	6.71	39.01	34.47	13.17	6.61	8.69	3	22.8
Loose/Bulk Tea	5.18	30.14	40.73	−26.00	5.29	[illegible]	4	[illegible]
Instant & Liquid Tea	41.47	241.12	238.12	1.26	[illegible]	[illegible]	[illegible]	[illegible]
Total	100.00	$581.53	$595.31	−2.30	100.00	[illegible]	44	22.5

% of total store volume . . . 0.33%

gains. Prices on coffee have caused many consumers to trade down from the high visibility national brands, say many retailers, and a 13-oz. can of high yield ground coffee is roughly equivalent in number of cups to a full pound of traditional ground coffee. It should also be noted that flaked coffee is a relatively new entry in the marketplace, and that coffee's consumption problems clearly predate the arrival of such products on the nation's supermarket shelves.

Decaffeinated coffee sales, pushed by the current cancer scare, represent a definite bright spot. Sales soared over 38% for ground decaffeinated and more than 26% for soluble (instant) decaffeinated last year. Combined sales in supers reached over $518 million.

General Foods' Sanka continued as the most powerful decaffeinated brand. It currently holds 3.5% of regular coffee sales and a whopping 10% of instant coffee volume. Procter & Gamble has introduced High Point instant to contest this market, but retailers report that it hasn't yet managed to make a real dent in Sanka volume since its rollout a year ago.

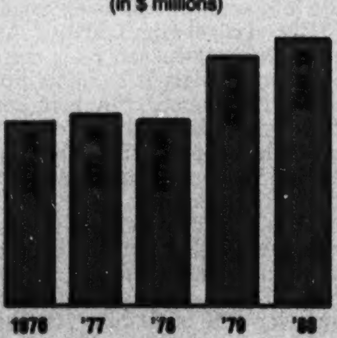
Nestle, meanwhile, holds approximately 9.4% of the total supermarket instant coffee business with its combination of three soluble decaffeinated brands—Nescafe Decaffeinated, Decaf and Taster's Choice Decaffeinated. Although sales of Decaf are static at the present time, both of the other brands recorded significant market share gains in the supermarket last year.

Tea Bags
150
100 tea bags
Savarin
64 Tea Bags
20
Tea Bags

Tea has not proven to be appreciably more dynamic than coffee in recent years. The category actually dropped in sales by 2.30%, finishing the year at $581.53 million.

Loose and bulk tea accounted for a large portion of the decline, slipping almost 26% to $30.14 million. Although some of the popular specialty teas are doing very well in this form, regular tea has increasingly become a tea bag item.

Instant & liquid tea sales
(in $ millions)

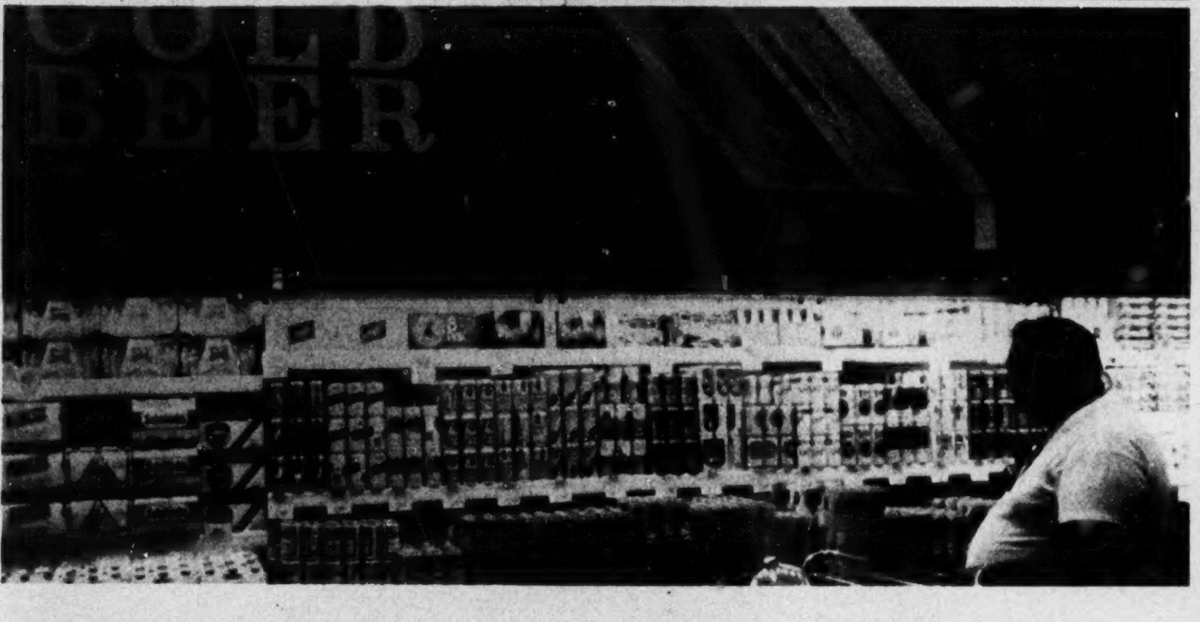


Source: CSA Supermarkets

Shoppers are also showing a preference for lower-count packages. While the 16-bag pack gained 28.58% in sales in 1980, the 100-count box skidded 11.14% over the same period.

This may reflect a slight dip in tea consumption after several years of modest gains. Per capita consumption of tea was 6.6 gal. in 1980, vs. 6.9 gal. in 1977, a postwar peak for the beverage. Actual unit sales did rise in 1980, but did not keep pace with population growth.

The flexibility of tea has prevented it from following coffee's downward consumption spiral. Adapting to changing consumer tastes, tea marketers have steadily increased their emphasis on iced tea over the last decade to coincide with a growing shopper preference for the chilled version. Today, two out of every three servings of tea are on the rocks. ☐



Beer boom down to a six-pack

The shelves are jammed with some unfamiliar—and occasionally unpronounceable—new labels, and high-powered advertising blankets the airwaves and periodical pages, but the supermarket beer department performed pretty much as expected last year.

Certainly, the continuing rise in beer consumption should occasion little surprise. Beer-drinking is definitely still on the upswing, rising to almost 25 gal. per person in 1980. Lager lovers and pilsner partisans have propelled beer ahead of milk on the list of most popular beverages, trailing only soft drinks and coffee. In fact, beer is a sure bet to pass coffee in per capita consumption within the next five years if both maintain current trends.

The anticipated retail price rise also arrived on schedule last year, helping to generate a huge 16.8% increase in the dollar sales of beer in the supermarket. Although this represents twice as big a gain as the category notched in 1979, it still can't obscure the ongoing slowdown in the category's "real" growth.

Actual unit movement gains measured no more than 3% in 1980. That hardly qualifies as dynamic performance for a category that averaged annual gallonage increases of more than 4% between 1976 and 1979, and even greater gains during the 10-year period prior to that. (It is only fair, however, to admit that as the base grows larger year by year, it becomes increasingly more difficult to generate the same *percentage* increases as were possible when the base total was still relatively small.)

Real growth fell to 3% last year, and the six major brewers got most of it

"Big six" concentration: Another much-discussed beer trend remained strongly in evidence during 1980. Once more, the six largest brewers significantly outdid the rest of the beer-producing industry and further tightened their secure hold on the business.

The half-dozen biggies—Anheuser-Busch, Miller, Pabst, Schlitz, Coors and Heileman, in current order of size—now account for a whopping 83% of all domestic beer production and sales. By way of comparison, in 1971 the six largest companies, which included Schaefer instead of Miller, owned a little less than 60% of the market.

This story continued in much the same vein during 1980. While the "big six" scored a unit sales increase of more than 5%, the rest of the field experienced a volume dip of nearly 9%. In fact, brewers ranking below the top dozen in volume experienced a calamitous 37% slide in gallonage. Plainly, the leaders are pulling further and further ahead of the pack—and they are likely to widen their margin in sales even more over the next few years.

Anheuser-Busch, No. 1 since Schlitz abdicated the crown, pulled out all the marketing stops to post a particularly banner year. It recorded an overall 8.9% movement improvement, second best among the "big six" apart from Heileman, to put a little daylight between itself and aggressive runner-up Miller Brewing.

Fittingly enough, the "king of beers," Budweiser, led the way with a hefty 13% unit increase. The St. Louis, Mo.-based brewer also scored strong gains with both Michelob and Michelob Light, offsetting serious declines in the sales of both Busch and Natural Light.

There's some indication that Anheuser-Busch is in the process of shifting its promotional emphasis

Beer & Wine: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Beer	91.88	$5,017.51	$4,295.84	16.80	88.12	$1,279.47	15	25.5
Wine	8.12	443.24	375.99	17.89	11.88	172.42	362	38.9
Total	100.00	$5,460.75	$4,671.83	16.89	100.00	$1,451.89	377	26.6

% of total store volume . . . 3.06%

away from the traditional main target, young adults 18 to 24 years of age. This is the segment of the population that is generally thought to contain the highest percentage of heavy beer drinkers. Unfortunately, it is also the segment that is shrinking. The children of the post-war "baby boom" are sailing into their 30's, and the offspring of the 1960's are not nearly so numerous.

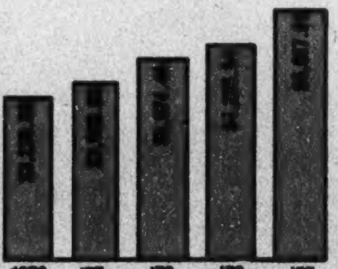
On the other hand, Anheuser-Busch executives feel, there is considerable income growth among those born in the 1946-58 period that should bode well for the superpremium end of the suds business.

Miller Brewing, which saw its flagship brand Miller High Life sag a little in supermarkets last year, disagrees somewhat with its archrival's assessment. By focusing on the 18 to 24's, Miller hopes to bring new beer drinkers into its fold as they appear in the stores.

Miller Lite, however, is still the reigning champion of the low-calorie beer market, achieving gains of over 20% in the supermarket. A-B's Natural Light, originally a prime contender for this business, is having its problems and may be superseded on store shelves by Budweiser Light.

Pabst moved ahead of Schlitz last year to take over the No. 3 spot in the sales rankings, but there wasn't much celebrating. The company actually backed into the honor. Pabst slipped slightly in total volume, primarily owing to weakness in the Pabst Blue Ribbon and Pabst Light brands. Olde English malt liquor, Red, White and Blue and Blitz all recorded major gains, although the latter two brands are still fairly small potatoes.

Schlitz continues to hold the title of the beer business' official "sick friend." Despite the outward success of the much-publicized head-to-head taste test conducted at the Super Bowl last January, Schlitz brand lost sales again in 1980 and is not demonstrating much of a turnaround so far this year, either. Schlitz Light is in pretty much the same boat, and the company cut production back by one-third last year. Adding to the brewer's woes is the performance of Erlanger, its superpremium. The brand just hasn't caught on with the public in a big way. Accordingly, Schlitz has reduced promotional support for Erlanger in favor of concentrating its resources on shoring up the beleaguered Schlitz label.



Source: CSA Supermarkets

Imports: Volume decreased marginally for imports, a segment of the market still dominated by longtime favorite Heineken. Some of the other European brands trying to find comparable success in the New World have not done as well, however, and much of the current sales growth is due to gains by brews from Canada and Mexico like Molson and Carta Blanca.

Wine climbs: Although state and local ordinances prohibit many supermarkets across the country from selling wine, the elixir of the grape is a solid profit producer for food stores permitted to field spirits sections.

White wines and domestically bottled vino are showing the greatest growth. White now accounts for 54% of all wine purchases, displacing red, which is down to about 26%. □

New smokers signal cigarette gain

It was strictly rush-hour traffic on tobacco road last year. More than 20 new brands and extensions accelerated onto one of marketing's fast lanes, causing a few minor collisions and some flaming wrecks.

In the meantime, the supermarket industry collected more than $7.5 billion in checklane tolls, almost 11% more than the previous year.

The continued heavy traffic in ultra low tar brands (ULT) also produced an unexpected jump in unit sales. Domestic cigarette consumption rose about 1.5% in 1980. This may not sound like much, but in terms of actual cigarettes it amounted to an additional 6.5 billion units.

"The tobacco industry is very much alive and well," says Jack Gillis, vice president for national accounts at Philip Morris USA. "And it will continue to show good growth." Gillis is not merely spinning his wheels. The number of smokers in the country is increasing, although the per capita consumption rate has declined.

The overall increase in population, particularly in the critical 18-35-year-old bracket, will be enough to fuel slow but steady levels of growth, says Gillis. He points out that each of the three largest tobacco companies is expanding its production capacity.

Low tar levels and high population levels add up to a steady rise for the industry

Specialization: Much of that capacity will no doubt go to producing new or recently introduced brands. The manufacturers need to cover all ends of the smoking spectrum to protect the brand names they have established at phenomenal expense, and that should keep the marketing and merchandising people hopping.

"Everything is becoming more fractionalized and specialized," says Bill O'Brien of Brown and Williamson Tobacco Co. "Just look at all the specialized magazines. The same thing is being reflected in the cigarette market. Everybody wants a little different kind of cigarette."

Because of that specialization—and the women's market is the hottest area right now—most tobacco industry members see no letup in the number of new brands and extensions coming into the market.

"We don't introduce new brands for the fun of it," says O'Brien. "It's terribly expensive. We do it because that's what the public wants."

Brown & Williamson recently demonstrated exactly how expensive when it introduced Barclay with an astonishing $150 million advertising/promotion campaign. No company ever spent more launching a cigarette.

Competitors called it a desperate act—the company's share of market had been declining in recent years—but Barclay quickly grabbed 1% of the market, which translates to

Tobacco Products: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Cigarettes	97.30	$7,588.32	$6,848.42	10.80	94.23	$1,005.46	108	13.3
High-Filtration Brands	28.42	2,216.21	1,660.61	33.46	25.13	268.18	17	12.1
Filters, King Size	45.01	3,510.48	3,195.88	9.84	46.06	491.47	41	14.0
Filters, 100mm	18.87	1,471.57	1,441.28	2.10	18.07	192.78	46	13.1
Non-Filters, Regular Size	3.18	248.22	360.32	−31.10	3.26	34.75	2	14.0
Non-Filters, King Size	1.82	141.84	190.33	−25.47	1.71	18.30	2	13.9
Disposable Lighters	0.57	44.32	50.17	−11.66	1.72	18.30	7	41.3
Other Tobacco Products	2.13	166.67	162.93	2.30	4.07	43.31	133	26.0
Cigars	0.66	51.42	54.83	− 6.21	1.02	10.85	54	21.1
Pipe & Cigarette Tobacco	0.70	54.96	54.83	0.24	1.27	13.52	56	24.6
Chewing Tobacco & Snuff	0.50	39.01	32.90	18.57	0.85	9.05	9	23.2
Pipes, Lighter Fluid & Accessories	0.27	21.28	20.37	4.47	0.93	9.90	14	46.5
Total	100.00	$7,799.31	$7,061.52	10.45	100.00	$1,067.09	248	13.7

% of total store volume . . . 4.36%

BUY A PACK TODAY
Winston Salem CAMEL
59

more than $100,000,000 of business. The Barclay campaign, which features carton giveaways and massive retail promotions, has undoubtedly raised the ante for new product introductions beyond the $50 million-$60 million normally spent.

Brown & Williamson is following its Barclay introduction with Barclay menthol.

ULT war: Barclay's success underlines the strength of the ultra low tar segment. It represents the latest offensive in a marketing battle that makes a gang war look like a game of badminton.

There have been enough charges and countercharges surrounding the ULT cigarettes to start a separate subsidiary of the Federal Trade Commission.

Most of the controversy centers around bragging rights to the claim of "lowest" tar level. That crown, bestowed on American Tobacco's Carlton brand in 1979, propelled its sales 50% that year. Carlton tacked on another 11% in 1980 and, based on the most recent FTC study, was still trumpeting its lowest-tar label.

Not so, says RJR, which claims its fast-growing Now brand is lower than Carlton. Neither Now nor Philip Morris' Cambridge brands were included in the last FTC test, and the controversy will remain hot until the commission completes its latest round of tests in the fall.

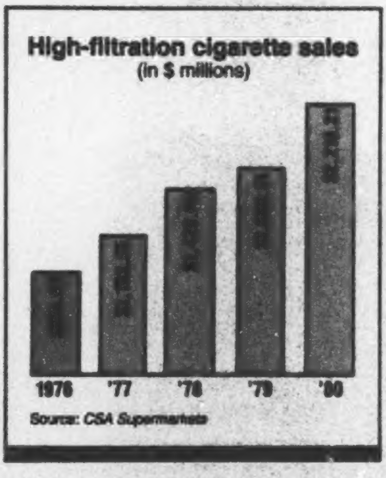
RJR has also disputed Barclay's claim to being "99% tar free," stating that Barclay's filter design prevents the current smoking device from accurately measuring tar levels. Brown & Williamson had hoped to avoid the low-ball controversy with its 99% claim, seeking instead a broader-based franchise of smokers for a target audience.

Courting the ladies: One of the biggest targets over the past two years has been women. Because of their greater absolute numbers, females represent a burgeoning market segment. About 35% of the women in the country now smoke, a statistic not unknown to the industry.

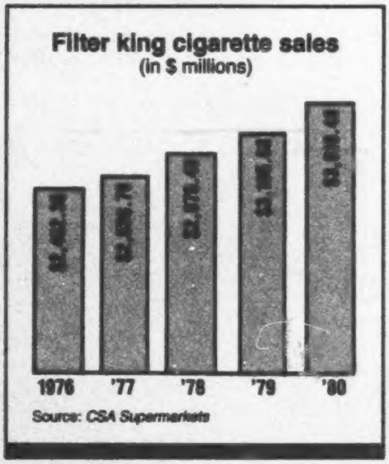
The unprecedented success of PM's Virginia Slims brand has attracted several new suitors for the female smoker. Liggett & Meyers, whose full-flavor brands have borne the brunt of the low-tar switch, may have come up with a winner in Eve 120s.

Introduced with a minimum of fanfare, Eve 120s surprised even L&M executives with its relative early strength. The brand captured as much as a 4% market share in the category, according to one L&M official.

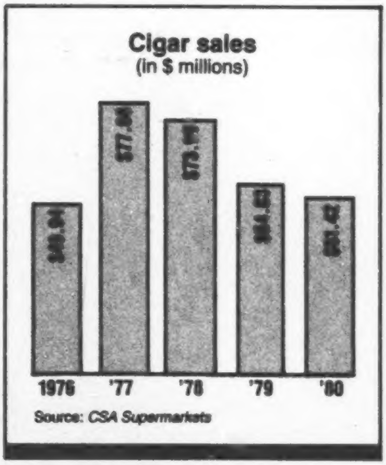
Earlier this month, RJR began its national rollout of More Lights 100 in regular and menthol. More lights are a smaller version of RJR's More 120s, the dark brown ciga-



Source: *CSA Supermarkets*



Source: *CSA Supermarkets*



Source: *CSA Supermarkets*

rette that had won favor among women smokers. The new version has a beige color paper and is substantially lower in tar than More 120s.

"Based on the reception by our direct accounts, we expect the new brand will be an excellent performer," says an RJR spokesman.

WINSTON
SALEM
CAMEL
VANTAGE

The North Carolina company has been the busiest of the major firms. Last year it introduced more new brands than the rest of the industry combined. To make room for them, the company yanked four brands, including Real and Tempo, which failed to gain a significant share, despite a $100 million investment.

While RJR was rearranging its pieces for a well-publicized counterattack, the main target, Philip Morris, was riding on the momentum of another big sales year. PM's market share jumped two points, with its flagship Marlboro brand leading the way. Merit and Virginia Slims continue to show outstanding movement.

This year PM is trying to work its magic with Northwinds, which goes into distribution this month. Northwinds is a "cool-tasting" cigarette that doesn't use menthol. The brand is positioned to compete with menthol leaders Salem, Kool and Newport.

Ironically, Lorillard Tobacco Co. just launched Newport Red, a menthol-less version of its popular brand. The move is unusual, say industry sources, but Lorillard has had the Midas touch lately.

Last year the company was able to increase its market share again and, along with Philip Morris, represented most of the industry's growth. Lorillard's concentration in the low tar area has given it a leg up on its bigger competitors.

Generics ahead? With all the brand introductions in low tars—there will be at least 15 this year—it was only a matter of time before a generic version became available, and L&M has a light king-sized cigarette ready to roll.

The light version of the generic product that has given L&M a new lease on life should stabilize the company share of market to at least 1%, a goodly sum considering the absence of advertising support.

Making room: The rapid increase in the number of brands, and the development of brand families—regular, kings, 100s, lights, ultra lights and menthols all bearing the same name—has intensified the jockeying for space on supermarket shelves.

At the same time, another development could also change the way cigarettes are sold. "We are coming to the point where selling cigarettes has become very competitive. Supermarkets, drug stores and mass merchandisers are becoming very price-conscious," says Al Giacoio of Lorillard.

If cigarettes become less of a convenience item for supers and more of a price item, it could spell changes in merchandising that the tobacco companies have long desired.

Because of the enormous profitability of cigarettes, plus the shelf payments and field help, most merchandisers feel they can leave cigarettes alone and still get a good return on investment.

"It's like having three kids—two who can be left alone, and one who needs help," says Giacoio. "The problem kid is the one that gets all the attention." Yet industry account managers admit that they've

CIGARS
HUMIDOR

Imported De Luxe
Captain Black
SAIL
AMPHORA

TAREYTON
lights
$1.10

been babysitting the category for years, which has contributed to its stepchild status.

If only, they say, we could be treated like corn flakes. "Cigarettes should be given the same consideration as other grocery products," says PM's Gillis. "It's absurd to treat them like a convenience item. The profitability is better than big space users like detergents.

"And brand loyalty is significant. At least 65%-70% of smokers won't buy substitute brands. You can't say that about margarine."

With the competition for shoppers increasing, and with cigarettes contributing heavily to the cash flow, merchandisers have gradually increased space for cigarettes. But the question of how much space and where to locate and to merchandise is still one that is subject to debate.

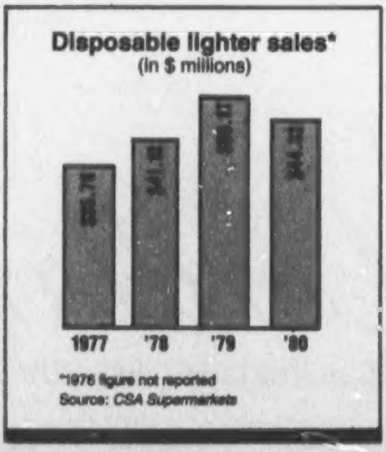
Self-service debate: The tobacco industry appears to have convinced most supers that self-service merchandising is a better sales producer and that pilferage is not the bogeyman it's purported to be. The raging question now centers around endcap vs. gondola display merchandising.

"The space requirements needed to satisfy most smokers are becoming overwhelming," says O'Brien of B&W. "The endcap carton fixture appears to us to have outlived its usefulness. Gondola shelving is the only way to keep in enough merchandise."

B&W's position would get the approval of rival Philip Morris, but not RJR. Three different studies, in 1966, 1969 and 1977, "consistently confirmed the conclusion that endcap merchandising produced higher sales," says an RJR spokesman, who added that the endcaps were more space-efficient.

A similar debate ensues when the talk turns to single-pack merchandising.

"Cigarettes can be handled—but not adequately—at the checkstand," says Lorillard's Giacoio. "An average checkstand holds only 60 products, but it duplicates inventory, it slows the checkout and can alienate customers and it depresses the return on inventory investment."


Disposable lighter sales*
(in $ millions)

*1976 figure not reported
Source: *CSA Supermarkets*

For Lorillard, the answer is a self-service fixture centrally located near the checkouts, an idea that is rapidly gaining interest among front-end merchandisers. The fixture, say its proponents, increases impulse sales and frees the checkstand for other high-impulse items.

Either way, it is evident that even more space will be needed in the future. Industry executives see no letup in the introduction of new brands and styles, and the intensity of recent marketing programs will probably serve to increase the number of brand switchers as well.

Some of that space may come from cigars. This segment of the tobacco category has been a mediocre performer for supermarkets, and last year showed a loss of about 6%. Pipe tobacco and cigarette tobacco improved marginally.

The star of this segment continues to be chewing tobacco and snuff. Use of chewing tobacco has reached its highest level ever, according to a spokesman for Pinkerton Tobacco Co., largely because smokeless is losing its red neck image and gaining among college students and young professionals.

Supermarkets have caught on, too, and more active merchandising pushed sales up 18.57% last year. Activity in this area should be fairly brisk this year as new brands and larger advertising programs will bring the product more visibility. ☐

American beauty is $9 billion deep

Health and beauty aids is the pizzazz-plus category that's starring in supermarket nonfoods sections across the country. In a year in which many food departments showed minimal growth, the $9 billion H&BA category closed out 1980 19.27% ahead of 1979, accounting for 5.22% of total store volume.

H&BA is a winner because it fits conveniently into the one-stop-shopping concept, its margins are higher than most others and it helps the retailer improve slim profit margins.

In 1980 across-the-board price hikes contributed a substantial part of H&BA gains, but unit increases of 3% to 5% fell short of 1979 rates.

Since the early 70's, when supermarket retailers began seriously investing in H&BA, the category has made impressive gains—from a few shelves of product to giant pharmacy/H&BA departments.

As superstores get bigger, they're devoting more and more space to H&BA and often feature a drug section. The pharmacy becomes the cornerstone of the H&BA department, lends it ambience and helps build traffic through the section.

Manufacturer promos, health- and weight-consciousness make H&BA top draw

"Today you're seeing a merger of food and drug operations resulting in larger and more prevalent H&BA sections," says Mike Wallace, president of Towne-Oller. "The trend is to have both more nonfoods in supers and more foods in nonfood stores." To compete effectively against other supers and drug stores, as well as other retail outlets, store managers are adding more sku's and offering a well-represented selection.

The top five categories in terms of dollar sales were disposable diapers, $812.32 million; dentifrices, $783.66 million; shampoos, $737.55 million; deodorants and antiperspirants, $641.81 million; pain relief, $590.40 million.

OTC drugs, cosmetics, diet aids and vitamins made excellent gains in 1980.

Most H&BA items owe their success to promotional backing by manufacturers. Last year more than $1 billion flowed through ad agency coffers purchasing hundreds of thousands of advertising spots for shampoo, toothpaste,

Health & Beauty Aids: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Chg.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hair Care	17.44	$1,[illegible]	$1,396.64	24.31	19.13	$ [illegible]	842	28.7
Creams & Lotions	6.57	[illegible]	497.76	[illegible]	6.24	151.[illegible]	176	30.4
Oral Hygiene	15.60	1,397.11	1,220.63	14.47	12.60	313.[illegible]	167	22.6
Hygiene Needs	13.44	[illegible]	1,057.93	[illegible]	12.56	[illegible]	221	24.4
Medications	20.59	[illegible]	1,620.27	[illegible]	22.27	541.[illegible]	453	27.0
First Aid	2.40	[illegible]	200.00	10.[illegible]	3.17	77.11	77	33.0
Men's Toiletries	7.20	[illegible]	599.67	13.67	7.56	163.[illegible]	196	27.4
Baby Needs	13.59	1,[illegible]	1,632.40	22.[illegible]	9.76	237.[illegible]	131	16.7
Cosmetics	4.62	430.[illegible]	361.19	19.16	6.44	159.7[illegible]	321	36.4
Total	100.00	[illegible]	$7,810.29	19.27	100.00	[illegible]	2,236	28.1

% of total store volume . . . 5.22%

medicine and other products in the category.

Supers are big business and big volume, and H&BA suppliers have recognized that fact. They are offering better deals and allowances as well as economy packs, POP stimulants and more co-op advertising.

Although national brands are the apple of the public's eye, generics and private label have become increasingly attractive to the cost-conscious consumer. As brand name items escalate in cost, backbone H&BA like toothpaste and aspirin are making significant gains in generics, claim retailers.

Today's health- and weight-conscious consumer is more receptive to H&BA buying than ever before. Consumer interest in self-medication coupled with a proliferation of OTC drugs has caused an upsurge in medications sales. (This came on the heels of an F.D.A. review board ruling that permitted certain ethical drugs to become proprietary.)

The public's obsession with weight accounts for a hefty rise in diet aid sales. And increased consumer interest in nutrition and fitness has prompted growth in several categories, especially natural H&BA and vitamins.

Cosmetics: Take a good-looking woman, put her in an elegant dress, makeup and high heels, and there'll be more men turning their heads than ever before.

Cosmetics suppliers have taken a similar "image" approach to selling cosmetics. They're upscaling products and their presentations in the supermarket, thereby offering a sophistication found in department store boutiques. The glamorizing of cosmetics products has contributed heavily to the 32% growth of the category in grocery stores last year.

The glamour route is twofold. Firstly, it attracts the consumer and offers her a greater product selection. Secondly, manufacturers are making cosmetics more inviting for retailers by offering them compact self-selling units, better promotional allowances and good coupon and reduced-priced deals.

Last year major suppliers like Maybelline, Max Factor and Revlon introduced glossy, boutique-type displays that give cosmetics sections a strong individual identity. These units range from 3 ft. to 12 ft. and vary in height and display type.

In effect, manufacturer maneuvers are getting better mileage out of one-stop-shopping trends. It's very likely that the woman who finds her favorite lipstick at the supermarket will buy it there. Greater product variety enables supers to net a greater portion of the $2 billion cosmetics market, of which they now claim less than 10%.

Since the category has average margins of 40%, and manufacturer advertising for cosmetics in supermarkets totals $100 million annually, many retailers are perking up with cosmetic awareness.

Safeway, Kroger, Albertson's, Alpha Beta, Smitty's, Lucky and King

H&BA/Cosmetics: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Facial Cosmetics	**9.64**	**$ 41.47**	**$ 37.60**	**10.29**	**9.81**	**$ 15.38**	**47**	**37.1**
Compacts, Liquid & Stick Makeup	5.36	23.05	18.80	22.61	5.40	8.46	32	36.7
Powder Puffs	0.82	3.55	3.13	13.42	1.08	1.70	4	47.9
Face Powder	3.46	14.87	15.67	− 5.10	3.33	5.22	11	35.1
Lipsticks	**9.89**	**42.55**	**31.33**	**35.81**	**9.77**	**15.32**	**67**	**36.0**
Manicure Items	**29.65**	**127.60**	**103.61**	**23.15**	**31.82**	**49.88**	**107**	**39.1**
Nail Polish	20.17	86.82	69.14	25.57	21.49	33.69	84	38.8
All Other Manicure Items	9.48	40.78	34.47	18.31	10.33	16.19	23	39.7
Bath Products	**16.89**	**72.70**	**72.06**	**0.89**	**13.76**	**21.57**	**23**	**29.7**
Talcum Powder & Medicated Powder	9.06	39.01	40.73	− 4.21	7.91	12.41	9	31.8
All Other Bath Products	7.83	33.69	31.33	7.53	5.85	9.16	14	27.2
Eye Makeup & Accessories	**23.80**	**102.48**	**81.87**	**25.17**	**24.32**	**38.12**	**65**	**37.2**
Perfumes, Toilet Water, Cologne, Towelettes	**8.07**	**34.72**	**30.02**	**15.66**	**8.55**	**13.40**	**3**	**38.6**
All Other Cosmetics & Cosmetic Accessories	**2.06**	**8.86**	**4.70**	**88.51**	**1.97**	**3.09**	**9**	**34.8**
Total	**100.00**	**$430.38**	**$361.19**	**19.16**	**100.00**	**$156.75**	**321**	**36.4**

% of total H&BA volume . . . 4.62%

Soopers are major chains that have made solid investments—and gains—in cosmetics. For most of these efficient merchandisers, in-line displays have become the rule. Consolidating several manufacturers' lines into one high-impact run, the sections average 12 ft.

"The greater portion of supermarket cosmetics sales are in superstores that have invested in full-line departments with a solid commitment to inventory," notes a spokesman for L'erin, Hanes' cosmetic line.

Hank Pellegrin, senior vice president of marketing and sales for Maybelline, explains why the sections work even for smaller stores: "Retailers can make a commitment to cosmetics without impacting their H&BA sections. They can watch the turns in a small display and judge whether or not the section needs expansion. It makes the next step, making a planogram change, easy."

Why do manufacturers advocate large selections to sell cosmetics?

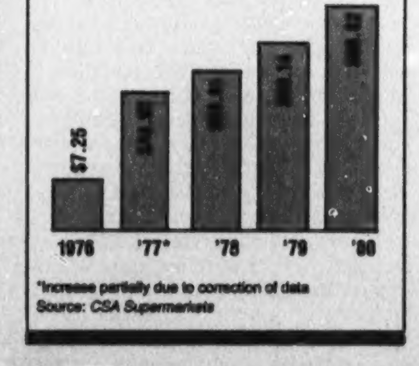
"The most important element in the woman's decision is color," explains Pellegrin. "The retailer must give her an adequate selection, most of the basic shades and incorporate new shades into the collection. A retailer who makes a fashion statement, yet allows for the turns, will succeed."

Price hikes contributed substantially to the 19.16% rise in cosmetics dollar volume, bringing the 1980 total to $430.38 million in supermarkets alone. Lipsticks, manicure items and eye makeup and accessories made significant dollar gains, up 35.81%, 23.15% and 25.17%, respectively.

Women spent $127.60 million last year for luxuries like nail polish, conditioners, cuticle removers and nail files. Their pursuit of more beautiful-looking nails increased sales 29.65% over 1979.

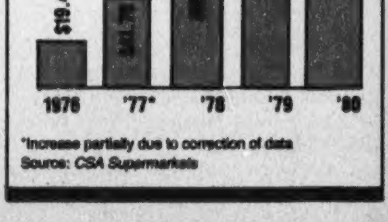
According to Pellegrin, this may signify "real growth [units] because among cosmetics, manicure products have the highest distribution in food stores," although complete saturation is a long way off. Manicure items that supers are now selling often register high on the quality and variety scale, and accordingly command a handsome price.

Hanes' L'erin line joined the



Nail polish sales
(in $ millions)

*Increase partially due to correction of data
Source: *CSA Supermarkets*



Eye makeup sales
(in $ millions)

*Increase partially due to correction of data
Source: *CSA Supermarkets*

highly competitive race for women's beauty dollars three years ago with a cosmetics line that increases its distribution each year. The company is launching a national advertising campaign this summer that will contribute an additional $15 million to cosmetics promotion.

Diet aids, vitamins: America's preoccupation with preventive medicine and weight control rang up more than $370 million last year in combined diet aids and vitamin/tonic sales in supers. Retailers encouraged volume by devoting more sku's to both categories, which count heavily on impulse buying.

Last year, vitamin sales in supers soared 20.50% to $320.91 million. According to Towne-Oller, this year's first-quarter vitamin and tonic sales are up 37.8% over the same period last year.

"The category's exploding," says Vince Chodor, national sales manager for Vita-Fresh. "Consumer awareness of nutrition brought about by extensive media coverage has the public seeking out vitamins to supply daily requirements."

Problems with vitamins include high prices and category complexity as well as lack of space. However, this year high margins and good turns enticed many retailers to allot more space—4-12 additional feet—to vitamins. Those supers that have built a sizable department with good variety are enjoying margins of up to 40% and sometimes even more and are selling the general consumer and the health-food-oriented one as well.

Just as manufacturers' deals and promotional support for vitamins have made brand name vitamins a lucrative business, low prices have popularized generics.

"When people cut back on spending, generic vitamins do very well," explains a spokesman for Jaydon, a distributor that services the Midwest, where many areas are in a mild depression.

Generics aren't gobbling up the entire vitamin market because there's also a strong showing of good-quality private label brands.

"In generics, the consumer buys the primary vitamins like C, E and a daily multiple," says Chodor. "They're economical for her. But for the retailer to realize the economy of vitamins, he needs to consider a full-line program, either a brand name or house line."

There's a mouthful to be said for private label, too.

"Where a mass merchandiser is fully committed to a private brand program, each individual vitamin type will outsell its national brand equivalent from 3 to 1 to 20 to 1," says Sam Sharpe, president of Sharpe Nutritionals.

Consumers usually buy private label vitamins that bear a chain's name, because of the chain's good reputation, explains Sharpe. "They're a good value for consumers and offer much larger gross profits than the 25%-30% given by national brands."

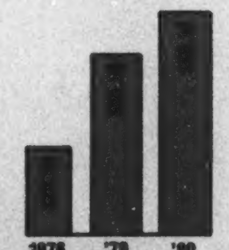
As consumers reached for more diet help, the category grabbed another percentage point of the total medications market. According to Towne-Oller, diet aids rose to $50.41 million—an 86.43% over 1979—with a further sales increase of 81% in the first quarter of 1981.

William Howe, vice president and director of marketing for Menley and James, manufacturers of Dietac, says the category skyrocketed in 1980 due mostly to aggressive advertising by Menley and James and their top competitor, Thompson Medical. Last year Thompson budgeted $27 million for marketing of its products, which include Dexatrim, Prolamine and Control.

Along with new product entries, Menley and James is improving its diet aids distribution by merchandising with J-hooks in strategic spots throughout the supermarket.

First aid: Hydrocortisone caused a wave of new interest in anti-itch first aid ointments, creams and lotions in 1980. A flow of hydrocortisone-based products hit the supermarkets last year following the F.D.A.'s OTC Review panel safety approval of the formulas using the substance for distribution on the open market.

First-aid preparation sales*
(in $ millions)



*1977 and 1978 figures not available
Source: *CSA Supermarkets*

H&BA/First Aid: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bandages & Tapes	48.91	$111.70	$101.83	9.69	50.86	$39.22	36	35.1
Adhesive Bandages	36.48	83.33	75.20	10.81	37.39	28.83	21	34.6
Gauze & Bulk Bandages	6.99	15.96	12.53	27.37	7.55	5.83	9	36.5
Adhesive Tapes	5.44	12.41	14.10	− 11.98	5.92	4.57	6	36.8
Cotton & Cotton Balls	16.31	37.24	37.60	− 0.97	15.40	11.88	9	31.9
First-Aid Preparations	30.29	69.14	59.53	16.14	29.43	22.68	25	32.8
Petroleum Jelly	13.98	31.91	26.63	19.83	11.71	9.03	6	28.3
All Other First-Aid Preparations	16.31	37.23	32.90	13.16	17.72	13.66	19	36.7
First-Aid Kits	1.38	3.14	1.57	100.00	0.61	0.47	4	14.9
All Other First-Aid Items	3.11	7.09	6.27	13.08	3.70	2.85	3	40.2
Total	100.00	$228.71	$206.80	10.40	100.00	$77.11	77	33.8

% of total H&BA volume . . . 2.45%

According to one buyer for Mass Merchandisers, the Arkansas-based distributing company, "Hydrocortisone sales are building faster than anticipated" as consumers seek the relief promised by advertisements, in which several manufacturers have invested heavily. The new entry helped increase by 13.08% the sale of ointments, creams and sprays.

Johnson and Johnson took a hand in the total 10.40% rise in first aid items, which amounted to $228.71 million last year.

"We placed a big emphasis on first aid in 1980," explains a J&J executive. The company based its plan on the premise that first aid supplies that include basic instructions allow people to better tend their wounds in the home. Accordingly, package backs now carry a four-step instruction program.

Bandages and tape rolled up $111.70 million in sales, with 48.91% of first aid department sales. As usual, adhesive bandages wound up with the largest share of first aid business. Accounting for almost 37% of department sales, adhesive bandages racked up $83.33 million in dollar volume.

Down about 1%, cotton and cotton balls took a solid blow from generics. "People are scoffing up generic cotton balls," says one manager for a Dillion store, which has added several feet of space for the product's display.

BAND-AID
BAND-AID
plastic
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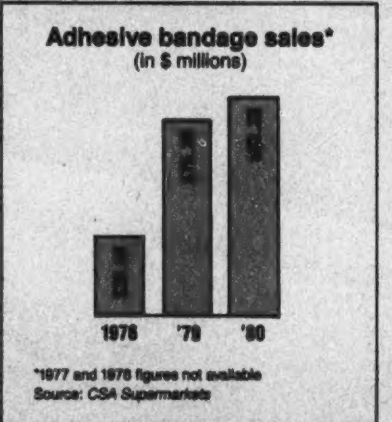

Adhesive bandage sales*
(in $ millions)

*1977 and 1978 figures not available
Source: CSA Supermarkets

Oral hygiene: Dentifrices turned up *numero uno* in this year's third-largest H&BA category, oral hygiene. Up 18.51% from last year, dentifrices swept up nearly $800 million in supermarkets. Because toothpastes, powders and polishes account for 56.10% of the total category, they boosted overall oral hygiene volume to $1.4 billion, up 14.47% from 1979.

Dentifrices, supported by $150 million in consumer advertising, accounted for almost 50% of the product listings of 1980's top 50 sellers in both units and dollars.

Toothpaste, which rang up $758.83 million, comprised more

H&BA/Oral Hygiene: 1980 Performance—$1 Million Supermarkets

Category	Sales				Profit		Assortment	Margin
	% of Dept. Sales	[illegible]	1979 Dollar Volume (Millions)	[illegible]	% of Dept. Gross Profit	[illegible]	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Denture Needs	9.77	[illegible]	$ 131.89	[illegible]	12.36	[illegible]	29	28.4
Dentifrices	56.10	[illegible]	561.24	[illegible]	45.38	[illegible]	53	18.2
Toothpaste	54.33	[illegible]	547.14	[illegible]	42.84	[illegible]	49	17.7
Tooth Powder	0.25	[illegible]	4.70	[illegible]	0.36	[illegible]	1	32.2
Tooth Polish	1.52	[illegible]	9.40	[illegible]	2.18	[illegible]	3	32.2
Toothbrushes	7.61	[illegible]	89.16	[illegible]	13.69	[illegible]	35	40.7
Mouthwash & Breath Sprays	23.88	[illegible]	311.76	[illegible]	24.14	[illegible]	37	22.6
All Other Oral Hygiene Needs	2.64	[illegible]	29.77	[illegible]	4.32	[illegible]	12	38.2
Total	100.00	[illegible]	$1,220.62	[illegible]	100.00	[illegible]	167	22.6

% of total H&BA volume . . . 15.00%

than half of the dental hygiene sales. Spurred by the brilliant success of Aqua-fresh in 1979, competition produced an onslaught of promotions that helped increase dollar volume 17.26% and opened the way for gel and toothpaste combinations.

"There's a trend toward gels," says Tom McClintock, manager, customer services for Procter & Gamble. "There are a lot of these products in test markets."

Topol and Pearl Drops stirred things up in the toothpolish bullpen this year. The steady and solid batting average of the subcategory begun by Pearl Drops several years ago nearly doubled to $21.28 million in 1980.

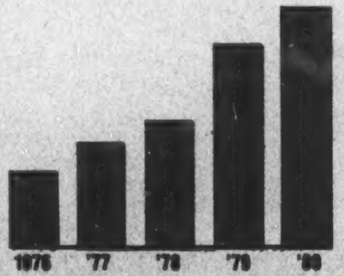
"Topol's success is largely due to positioning," explains John Sullivan, marketing director for J. Martin. "We zeroed in on the smoker's market and backed our position with heavy media support. Topol has a 30 to 1 advertising to sales ratio."

New toothpaste entries for smokers, as well as for people with sensitive teeth, may signify a segmentation of the dentifrice market and indicate increased unit consumption. However, dollar volume is up mainly because of higher prices and larger sizes.

"Volume continues to grow as the consumer recognizes economy in larger sizes," explains McClintock. The fastest-selling size for the nation's No. 1 and No. 2 brands of toothpaste is the 6-7-oz. family sized one. The second best seller is the 8-9-oz. supersize.

After three consecutive years of 15% growth due to new product promotions, unit movement in mouthwashes and breath sprays fell approximately 5% last year. However, price hikes upped dollar volume to $335.09 million. In 1980 the top three brands in mouthwashes were Listerine, Scope and Signal.

Toothpaste sales
(in $ millions)

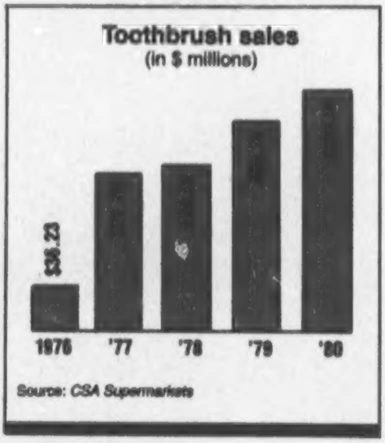


Source: *CSA Supermarkets*

Some manufacturers contend that educational advertising is prompting more people to take better care of their teeth. The almost 4% increase in dental floss units helps substantiate their claim, as does the $106.38 million toothbrush dollar volume, up 23.47% in dollars and 3% in units.

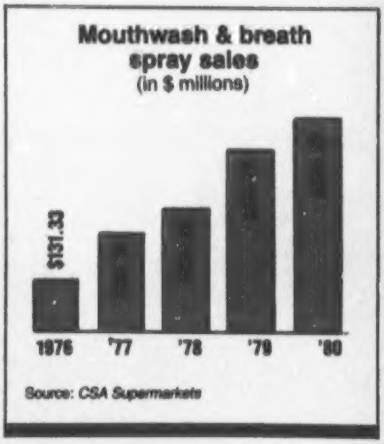
A Crest relaunch and Colgate's new flavor formula, backed by multimillion-dollar consumer ad campaigns, may make 1981 the best year ever for the category. Colgate's campaign, which will "significantly" exceed last year's budget of $23 million, includes 30-second TV commercials to be aired nationwide.

Toothbrush sales
(in $ millions)



Source: *CSA Supermarkets*

Mouthwash & breath spray sales
(in $ millions)



Source: *CSA Supermarkets*

H&BA/Medications: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	[illegible] Dollar Volume [illegible]	1979 Dollar Volume (Millions)	% of [illegible]	% of Dept. Gross Profit	[illegible]	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Stomach Relief	15.78	$ [illegible]	$ 278.91	[illegible]	14.84	[illegible]	78	26.2
Antacids	10.75	[illegible]	192.63	[illegible]	10.15	[illegible]	42	26.3
Laxatives	4.03	[illegible]	72.12	[illegible]	3.67	[illegible]	31	25.4
All Other Stomach Relief Products	1.00	[illegible]	14.10	[illegible]	1.02	[illegible]	5	26.4
Cold Symptom Relief	24.24	[illegible]	373.22	[illegible]	24.88	[illegible]	113	28.6
Pills & Capsules	9.84	[illegible]	148.83	[illegible]	9.19	[illegible]	42	26.0
Cough & Sore Throat Products	9.48	[illegible]	155.09	[illegible]	10.28	[illegible]	46	30.2
All Other Cold/Allergy Symptom Relief	4.92	[illegible]	69.30	[illegible]	5.41	[illegible]	25	30.6
Pain Relief	30.34	[illegible]	487.35	[illegible]	26.47	[illegible]	88	24.3
Internal	26.79	[illegible]	418.42	[illegible]	22.41	[illegible]	65	23.3
External	3.55	[illegible]	68.93	[illegible]	4.06	[illegible]	23	31.8
Stimulants & Sedatives	1.45	[illegible]	[illegible]	[illegible]	1.24	[illegible]	9	31.4
Vitamins & Tonics	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	102	[illegible]
Foot Care	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	46	[illegible]
Eye Care	2.03	[illegible]	39.17	[illegible]	[illegible]	[illegible]	18	31.2
Rubbing Alcohol & Witch Hazel	1.45	[illegible]	25.77	[illegible]	[illegible]	[illegible]	6	34.6
Diet Aids	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6	[illegible]
All Other Medication & Medical Needs	2.73	[illegible]	51.09	[illegible]	3.44	[illegible]	24	35.9
Total	100.00	[illegible]	$1,620.27	[illegible]	100.00	[illegible]	[illegible]	27.6

% of total H&BA volume . . . 20.89%

Medications: Faced with a choice between high doctor bills or less expensive self-treatment, today's consumer tends to opt for the latter. That, plus the F.D.A.'s OTC review board ruling, has led to a veritable boom in OTC sales, boosting overall volume in medications to $1.95 billion.

Other big news in medications this year are extra-strength products, especially analgesics, and more multisymptom cold relievers. These new entries weighed heavily in the category's largest sections, cold symptom and pain relief, which together account for approximately 40% of the 1980 H&BA total. Medications claimed 20.89% of all H&BA sales volume.

A flu season that reached epidemic levels and a new interest in self-medication drew the public to multisymptom cold relief products. Last year, consumers spent $471 million trying to clear stuffed-up sinuses, soothe raspy throats and stop sneezes with the same remedy. Cold symptom relief sales, spurred by top-selling brands like Comtrex, rose 19.9% from 1979.

As drug stores shrink their H&BA sections in order to diversify, supermarkets are becoming more and more important to suppliers, says Jack Morano, vice president of Bristol-Myers. To keep on top of this trend, Bristol-Myers has designed food store programs for Comtrex and has successfully implemented shelf extenders and displays to promote sales during the cold season.

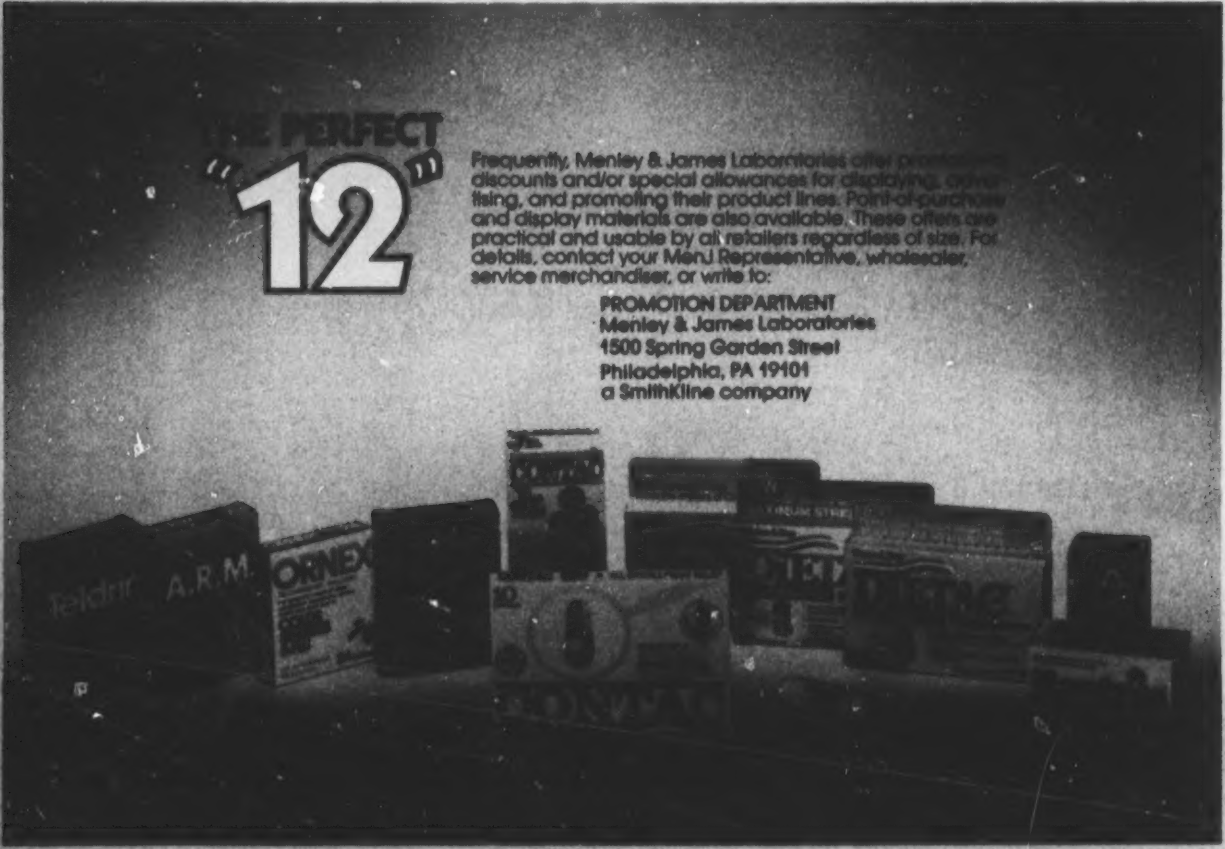
"Extra-strength" problems caused by economic woes may underlie the popularity of extra/maximum-strength pain and cold symptom relievers. Extra-strength capsules grew fastest.

Post-WW II babies will reach middle age in the 80's. Manufacturers predict this will lead to an overall category rise, especially stimulating sales of pain and stomach relief products and vitamins.

In the past few years nonaspirins such as Tylenol have seized a sizable chunk of the analgesic business. According to one East Coast drug manufacturer, "The rise in nonaspirins has peaked and may reverse itself in the 80's with aspirin regaining its former share of the market."

Why? One reason is the graying of America. Aspirin's a popular

CONTAC
CONTAC
Formula 44D
Vicks cough syrup
NyQuil
Excedrin
BAYER
DI-GEL



Frequently, Menley & James Laboratories offer promotional discounts and/or special allowances for displaying, advertising, and promoting their product lines. Point-of-purchase and display materials are also available. These offers are practical and usable by all retailers regardless of size. For details, contact your MenJ Representative, wholesaler, service merchandiser, or write to:

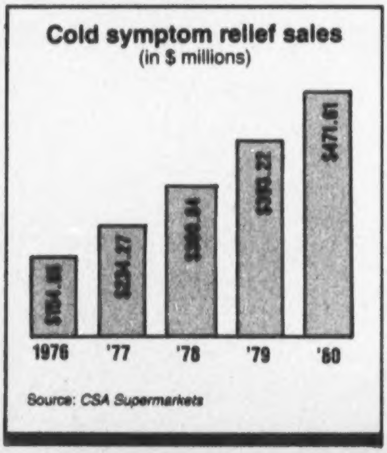
PROMOTION DEPARTMENT
Menley & James Laboratories
1500 Spring Garden Street
Philadelphia, PA 19101
a SmithKline company

remedy for minor arthritis pain. And the F.D.A. has approved aspirin for aid in transient ischemic attacks (mini strokes), establishing another reason for older consumers to keep aspirins in the medicine cabinet.

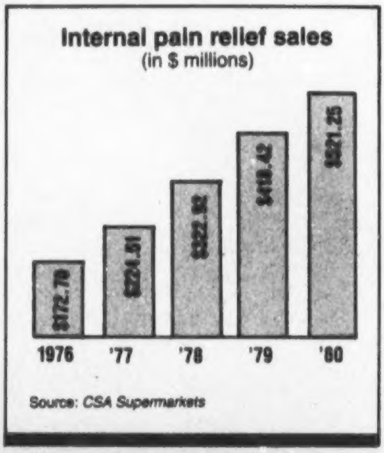
"Analgesics bore strong price increases in 1980, and we don't see any chance of prices flattening out," says a spokesman for Bayer aspirin. He attributes the price hike in analgesics—petroleum derivatives—to higher costs for goods and operating expenditures. "Higher prices have driven some consumers right down the generics aisle, picking aspirin off the shelf," explains a spokesman for Jaydon Inc., who claims aspirins are one of his top-selling generics.

In the $307.11 million stomach relief category, antacids showed a 10% rise, 1% less than last year's rate. "The market's basically flat, with dollar increases sustaining it," explains Frank Coppola of Norcliff Thayer, Revlon's health care division. "The typical consumer goes back and forth between brands, depending on price."

Laxatives, a relatively flat category in 1980, may show a significant rise in 1981, reports Coppola. Revlon's boosting advertising 40% on its Nature's Remedy laxative. By doing so, the company expects to increase consumer awareness of the product, force other manufacturers to compete for the market and lead to greater laxative consumption by consumers.



Source: CSA Supermarkets



Source: CSA Supermarkets

GE
For Really Clean Shaves!

Men's toiletries, shaving needs: Tallying $670.52 million in sales, the toiletries and shaving needs category rose 13.67% in 1980 due to increased activity in colognes, disposable razors, razors, aftershave lotions, shaving creams and men's hair care products.

Razor blades sliced off the largest chunk of category sales, 45.86%, ringing up $307.45 million through checkouts across the United States.

Food stores swept up more than 51% of total razor sales last year mainly due to the one-stop-shopping trend. Continued aggressive merchandising by retailers also helped increase razor turnover.

"Among retailers, there's been some movement to merchandise razors back in H&BA sections," says one spokesman for Gillette. "Scan-programmed stores usually have clean front-end sections and use more in-line displays." Front-end promotions are still prevalent, and some stores use both merchandising strategies very efficiently. (Programs tend to vary according to the chain's front-end policy rather than its stand on razors.)

Manufacturers also buoyed sales in this category with advertising and promotions. Gillette alone invested $50 million to spread the good word about its safety razor division products.

Disposables showed the second biggest jump in sales volume of all the toiletries/shaving needs subcategories. Disposables in supers rose 25.94% in sales to $50.39 million primarily because they met consumer demands for convenience both in shopping and shaving.

"Women seem to go for convenience in the disposable razors more so than men," comments the Gillette spokesman, who explains that men prefer permanent/replacement razors like bonded, double-edge, injector and band.

New developments: Gillette reintroduced its Daisy disposable in a less expensive version, two for 49 cents instead of two for $1.19. The company targeted the Hispanic market for its Good News! disposables and Atra razors. Bic is reinforcing its low-cost good-value image with $10 million in TV advertising this year. The two most popular disposable brands still remain Gillette and Bic.

Despite last year's sales jump, disposables may soon reach market

H&BA/Toiletries: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	[illegible] Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Shaving Cream	16.75	$112.33	$103.38	8.66	16.38	$ 30.18	36	26.8
Brushes & Lather	0.36	2.41	3.13	−22.99	0.37	0.69	4	28.5
Aerosol, Plain	9.25	62.05	57.96	7.06	9.22	16.94	14	27.3
Aerosol, Special Scents	6.35	42.55	37.60	13.16	6.09	11.19	16	26.3
Aerosol, Hot Lather	0.79	5.32	4.70	13.19	0.70	1.28	2	24.1
Razor Blades	45.66	[illegible]	271.92	[illegible]	42.66	[illegible]	29	25.6
Razor & Razor Kits	10.31	[illegible]	68.93	[illegible]	11.32	[illegible]	12	30.1
Disposable Razors	7.52	[illegible]	46.01	[illegible]	8.53	[illegible]	8	31.1
Pre- & After-Shave Lotions	9.52	[illegible]	53.26	[illegible]	10.56	[illegible]	24	30.4
Cologne	1.65	[illegible]	7.83	[illegible]	1.86	[illegible]	7	27.6
Hair Care Products	6.08	[illegible]	32.90	[illegible]	6.60	12.11	16	29.7
All Other Men's Toiletries	2.11	[illegible]	12.53	[illegible]	2.11	[illegible]	4	27.4
Total	100.00	[illegible]	$596.77	[illegible]	100.00	[illegible]	136	27.4

% of total H&BA volume . . . 7.20%

saturation and plateau out. Says one Gillette spokesman: "The rate of increase slows from year to year. It's growing, but not by the leaps and bounds it did in '77 and '78."

Shaving cream sales in supermarkets hit $112.33 million last year and comprised 16.75% of toiletries/shaving needs volume. Unit growth remained flat.

Consumer trends and manufacturer promotions prompted tradeoffs between brands. "The consumer's shopping for value first," explains a spokesman for Colgate. "Retail shelf price is now a definite factor in sales." Inexpensive name-brand shaving creams like Barbasol made especially strong showings last year.

Many alert manufacturers sought to win the consumer's favor with coupons and promotional packs, which surged in sales in 1980. Gillette packaged Foamy with Atra razors; Schick offered Edge shaving cream in combination with a razor. The makers of Noxema and Rise shaving creams placed cents-off coupons on label backs, a first for this subcategory.

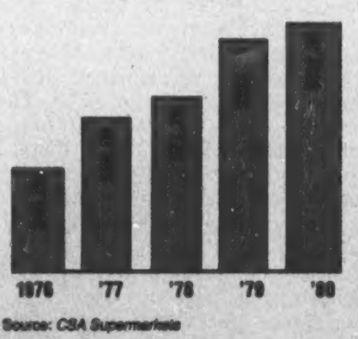
Fragrance continues to be the innovative feature of new product entries in creams. Colgate just launched an apple-scented shave cream. It joins other scents such as menthol and lime that are already popular in the marketplace.

The decline in brush and lather sales, a drop of almost 23%, is expected to continue because most buyers are elderly and younger ones prefer newer shaving systems.

As more H&BA ads are geared to male buyers, sales of colognes, preshave and aftershave lotions, hair care products and other toiletries have risen appreciably. Cologne sales soared 58.49%, and hair care products like hair sprays and dyes jumped 23.95%. Preshave and aftershave lotions took a 19.85% hike in sales, totaling $63.83 million in supermarkets.

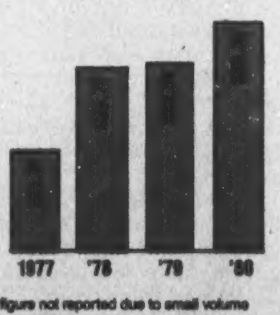
Says one Northeast distributor, "Trusted brand name lines that are inexpensive and offer a good assortment of products are doing very well." Other new developments include combo products, such as scented skin creams for men, and twin fragrances—men's and women's matching scents.

Shaving cream sales
(in $ millions)



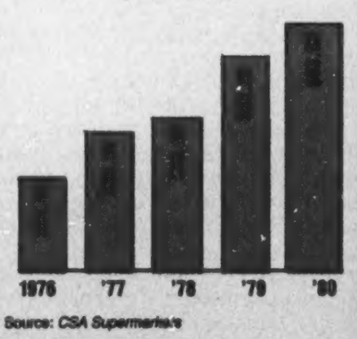
Source: *CSA Supermarkets*

Disposable razor sales*
(in $ millions)

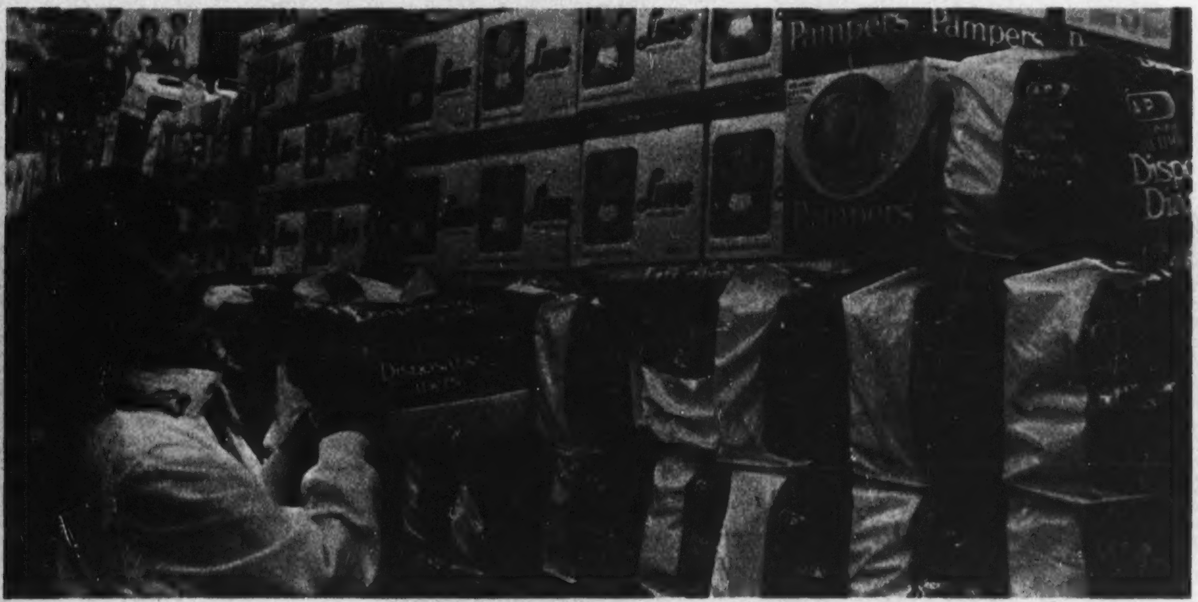


*1976 figure not reported due to small volume
Source: *CSA Supermarkets*

Pre- & After-shave lotion sales
(in $ millions)



Source: *CSA Supermarkets*



H&BA/Baby Needs: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	[illegible] Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bottles & Nipples	3.08	[illegible]	$ 31.33	[illegible]	6.23	[illegible]	19	37.9
Baby Oils, Lotions & Ointments	5.88	[illegible]	64.23	[illegible]	9.03	[illegible]	16	28.8
Baby Powder	5.60	[illegible]	61.10	[illegible]	8.04	[illegible]	12	26.9
Plastic Pants & Diaper Liners	0.84	[illegible]	10.97	[illegible]	1.90	[illegible]	8	42.4
Swabs	7.56	[illegible]	83.03	[illegible]	12.42	[illegible]	11	30.8
Diapers, Disposable	64.16	[illegible]	647.01	[illegible]	42.43	[illegible]	24	12.4
Soaps & Shampoos	7.42	[illegible]	95.56	[illegible]	10.57	[illegible]	12	26.7
All Other Baby Needs	5.46	[illegible]	39.17	[illegible]	9.38	[illegible]	29	32.2
Total	100.00	[illegible]	$1,032.40	[illegible]	100.00	[illegible]	131	18.7

% of total H&BA volume . . . 13.59%

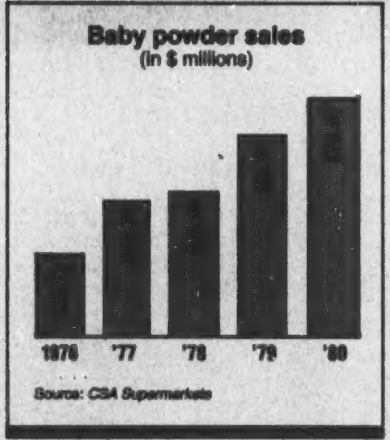
Baby care: A greater number of consumers aged 12 months or less helped create the 25.55% rise in baby care items last year.

The present birth rate went up in 1980, and parents spent a record $1.25 billion on bottles, nipples, diapers and other infant needs. According to demographers, the population of babies during this decade will rise as much as 4 million per year as baby-boom children become parents.

The birth rate may be rising, but "more people are having fewer children," says Jim Kilcoyne, marketing manager for Evenflo. "However, parents are spending more per child. Parenting is something that's taken more seriously than ever before," he continues. "Many new mothers are more affluent, older and have more time, interest and money to expend on their children. Of these newborns, 33% are the parents' first offspring, and there's generally more money spent on firstborns."

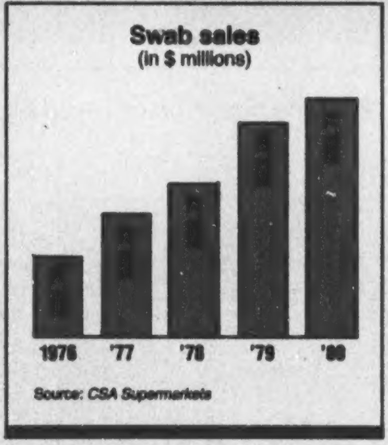
The "boomlet" should crest from 1985 to 1989. In anticipation of that time, some infant care suppliers have introduced new merchandising strategies. Evenflo test-marketed a departmental approach to baby accessories. The company's j-hook display unit requires 4 ft.-12 ft. of compact wall space full of accessories such as bibs, teethers, feeding cups and toys. The aim of the unit is to make things easy both for mom to find all of baby's needs on one wall, and for the retailer to limit his supplies of infant need items. "With diapers, oils and other related baby items thrown in, the unit creates a strong impact," explains Kilcoyne.

Claiming 64.16% of baby care sales, disposable diapers were the undisputed leader in the kiddie department. Pegged at $812.32 million, 1980 disposable diaper sales were up $165.31 million over 1979. The No. 1 slot still goes to Pampers



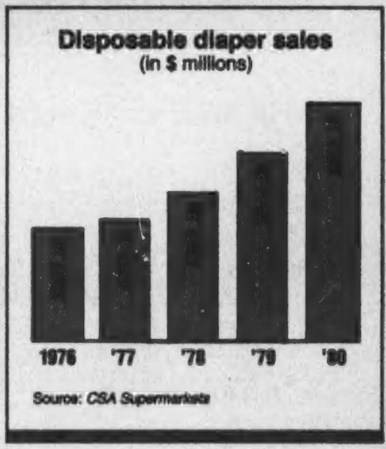
Baby powder sales
(in $ millions)

Source: CSA Supermarkets



Swab sales
(in $ millions)

Source: CSA Supermarkets



Disposable diaper sales
(in $ millions)

Source: CSA Supermarkets

with a 50% or more share of the market. P&G's Luvs and Kimberly-Clark's Huggies placed second and third. All private label and generics combined accounted for less than 15% of the total market.

"There's a trend toward elasticized diapers," says Tom McClintock, manager, customer service for P&G. "One year ago Luvs had 5.5% of the disposable diaper business; now it claims 14.6%. Huggies had 5.7% last year, and now it's up to 10.4%." McClintock attributes the trend to a "looks-nicer fit. It gives a tighter fit around the legs and gives a leakproof impression."

The category has been flat in terms of cases; its physical tonnage goes up approximately 10% each year. But there's an "ever increasing number of women, especially ones who work, wanting the convenience of disposables," says McClintock. East and West Coast buyers account for the largest portion of paper diapers, he notes.

As disposables went up, plastic pants and diaper liners dropped 3% from $10.97 million to $10.64 million. Baby oils, lotions and ointments rose a healthy 15.03%, as did baby powder, up 16.07%.

Ethnic H&BA: Hair preparations were No. 1 in ethnic H&BA last year. Supermarkets took in approximately $30 million in curling lotions, relaxers, sprays and other hair preparations. Although ethnic hair care dollar volume advanced 20% in supers last year, the rise came primarily from stores that had recently added the category. Those already carrying had ethnic products reported gains of 10% or less.

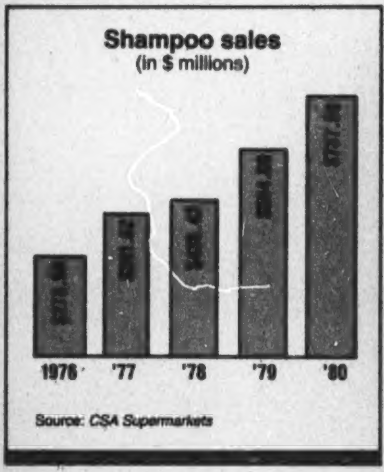
Compared to their potential, supermarkets did a so-so to poor job with ethnic H&BA. Black Americans spend an average of $200 per person annually on hair preparations alone.

Lack of promotions, small assortments, insufficient discounts to shoppers and minimal distribution have been, and continue to be, the major problems besetting this subcategory.

To help retailers better deal with the complexities of the ethnic market, some manufacturers are offering sales aids. Atlanta-based M&M Products Company is now offering planograms and a new cosmetician training program.

Johnson Products, which manufactures across-the-board ethnic H&BA needs, also offers planograms and a store-level training program for cosmetologists, with the emphasis on in-store demos. The company gives educational seminars for buyers and senior management personnel as well.

Hair care: Traditionally, shampoo cleans up in hair care sales, and in 1980 it even outdid its own track record. Last year shampoo sales hit $737.55 million, beating 1979's record by $179.49 million. Shampoo claimed 45.41% of total H&BA department sales and established itself as the third largest (in sales) nonfoods category in the supermarket industry.



Source: CSA Supermarkets

Sales climbed, in part, because food stores claimed a larger share of the shampoo business from drug stores and mass merchandisers. Retailers nationwide have increased the size of shampoo sections as they enlarged their H&BA departments.

Sales are also up because today's "me" generation demands the best for itself, both mentally and physically. People are more nutrition-conscious, eat better, exercise more, pay more attention to their hygiene needs. In the process, they're washing their hair more often and buying more shampoo than ever before.

Health-consciousness has led to a trend in "therapeutic"-type shampoos, says a spokesman for Clairol, "People are interested in making their hair healthier, not just healthier-looking." Condition/shampoo combinations headed up shampoo department sales in 1980, and salon-type formula sales also proved strong.

Professional brand name lines like Vidal Sassoon and Jhirmack acquired newly created H&BA sku's and/or bumped out other brands as consumer demand increased their volume.

"Salon-tested products received a higher credibility rating from consumers in 1980 than in previous years," explains one East Coast buyer.

Natural shampoos—those with nutritional ingredients like keratin, jojoba and vitamin E—also gained in popularity.

"Most marketing people feel the 80's will be an era of specialization," said George Kizis, vice president, sales and marketing for Vidal Sassoon. He claims the consumer will go back and forth from one product to another depending upon what quality he or she seeks—shine, bounce, antidandruff, etc.

"Value in price and use is becoming very important," he continues. In tight times merchandise that's been proven and tested—a brand name—and offers perceived value

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*Towne-Oller Report. Twelve Months Ending December, 1979.

H&BA/Hair Care: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hair Care Accessories	5.66	$ 92.19	$ 68.93	33.74	10.00	$ 46.56	97	50.5
Combs & Brushes	1.53	24.82	25.07	0.99	2.90	13.50	28	54.4
Curlers & Rollers	0.55	8.86	9.40	− 5.73	0.96	4.46	11	50.3
Pins & Clips	1.42	23.05	7.83	194.38	2.82	13.14	28	57.0
All Other Hair Care Accessories	2.18	35.46	26.63	33.16	3.32	15.46	30	43.6
Hair Sprays [Women's or Unisex]	16.15	262.40	227.16	15.51	14.69	[illegible]	74	25.9
Setting Lotion & Gels	0.66	[illegible]	10.97	− [illegible]	0.77	[illegible]	7	33.5
Conditioners	15.94	[illegible]	172.33	[illegible]	15.90	[illegible]	66	28.6
Misc. Hair Preparations	0.76	12.41	9.40	[illegible]	0.74	[illegible]	6	27.7
Hair Coloring Products	8.76	[illegible]	139.43	[illegible]	8.10	37.72	105	26.5
Home Permanents & Curl Relaxers	1.73	28.17	26.63	5.78	1.75	8.14	15	28.9
Shampoos	46.41	[illegible]	564.06	[illegible]	43.07	[illegible]	147	27.2
Dandruff Shampoos, All Types	5.89	95.74	75.02	27.62	4.87	22.69	17	23.7
All Other Liquid Shampoos	30.90	[illegible]	377.68	32.85	30.83	[illegible]	117	28.6
All Other Types of Shampoos	8.62	[illegible]	111.36	25.77	7.37	[illegible]	13	24.5
Creme Rinses	4.91	79.78	87.73	− [illegible]	5.07	[illegible]	23	29.6
Total	100.00	[illegible]	$1,306.64	[illegible]	100.00	[illegible]	542	28.7

% of total H&BA volume . . . 17.44%

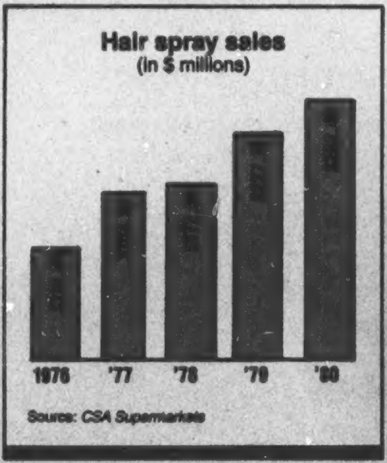
for the price will sell exceptionally well, says Kizis.

Riding the same therapeutic trend as shampoos, conditioner sales rose a whopping 50.21% to $258.85 million in 1980.

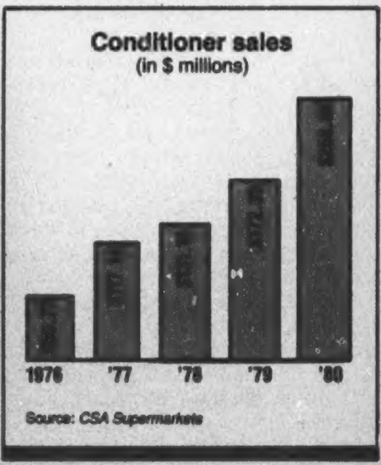
"All major manufacturers have been touting the use of conditioner products," says one major hair care manufacturer. "And consumers who are eager to maintain or replenish natural hair substances are using more and more conditioner."

The phenomenal growth of conditioners is also tied into the 9.05% drop in cream rinse sales. In 1980 this $79.78 million subcategory was hard hit by consumers who abandoned it in favor of conditioners. Manufacturers did their share of damage, too. A number of them reformulated their cream rinse products and made them conditioners; others dropped cream rinses altogether.

As H&BA departments become larger and more prevalent, hair care accessory sections have also grown. In 1980 sales rose 33.74% to $92.19 million. One East Coast manufacturer of hair care accessories claims, "Volume doubled in the past five years." Bandeaux, hair brushes, perm rod curlers and especially barrettes sold well in supermarkets last year.


Hair spray sales
(in $ millions)

Source: *CSA Supermarkets*


Conditioner sales
(in $ millions)

Source: *CSA Supermarkets*

Creams and lotions: Category sales of creams and lotions rose 23.35%, to $500.52 million in 1980. Previously drug store staples, creams and lotions entered supermarket H&BA sections several years ago and now account for 5.37% of total H&BA sales. Fast-rising sales evidence the category's excellent adjustment to supermarket placement. Good turns, margins averaging 30% and effective merchandising by retailers have made it an excellent profit section.

Women of Mae West's generation coated their hands and bodies with lotion mainly when dryness made it necessary. Until recently that trend prevailed. Today, however, women use hand and body moisturizers as part of their daily beauty routine to *prevent* roughness. As a result, they're buying more products, and category sales are up. Hand and body lotions and creams registered an 18.63% gain, totaling $154.25 million in 1980.

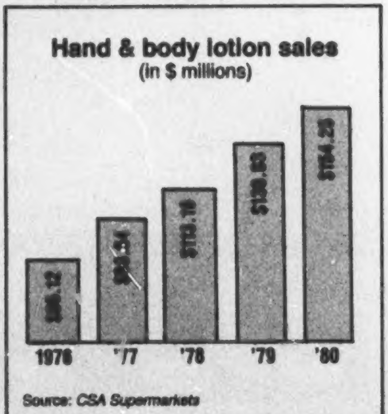
"Because more women are using lotions and creams on a daily basis, the subcategory's flattening out in terms of seasonal fluctuations," notes a spokesman for Jergens.

Hank Pellegrin of Maybelline elaborates on this trend. "You see year-round use of skin treatment products for several reasons. One is the 'you' awareness. People are taking better care of themselves, and skin care is part of that interest. They also want greater therapeutic value from the product."

The subcategory of medicated creams, lotions and soaps also plugs into the consumer's "take better care of myself" mood. In fact, in 1980 supermarket shoppers delved approximately 21% deeper into their pockets to purchase $154.48 million in acne preparations, other medicated creams and lotions, and medicated and specialty bar soaps.

The baby boom is also a contributing factor in the success of beauty creams and lotions. According to Pellegrin, "Women over 35 years of age use moisturizers to help prevent wrinkles. As the bulk of baby boom girls become middle-aged ladies, the number of older women increases and so too does their consumption of creams and lotions."

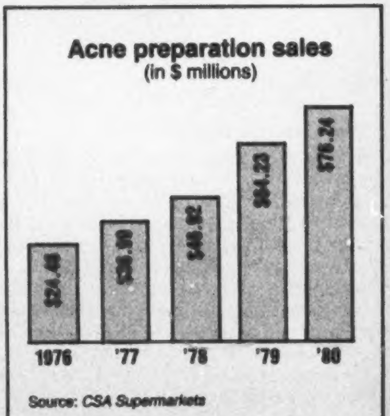
Advertising also boosted the subcategory's sales. Last year P&G's promotions for Wondra caused a chain reaction of two for the price of one, cents-off coupons and other advertising hoopla.



Hand & body lotion sales

(in $ millions)

Source: *CSA Supermarkets*



Acne preparation sales

(in $ millions)

Source: *CSA Supermarkets*

H&BA/Creams & Lotions: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Medicated Creams, Lotions & Soaps	30.47	$152.48	$125.33	21.66	31.76	$ 48.27	52	31.7
Acne Preparations	15.23	76.24	64.23	18.70	15.75	23.94	23	31.4
All Other Medicated Creams & Lotions	10.63	53.19	42.30	25.74	11.34	17.23	17	32.4
Medicated & Specialty Bar Soaps	4.61	23.05	18.60	22.61	4.67	7.10	12	30.8
Suntan Products	8.90	44.55	32.90	35.41	10.06	15.33	42	34.4
Beauty Creams & Lotions	53.13	265.95	206.79	28.61	50.57	76.84	72	28.9
For The Face	22.32	111.70	76.76	45.52	21.53	32.73	27	29.3
For Hand & Body	30.81	154.25	130.03	18.63	29.04	44.12	45	28.6
Depilatories & Ladies' Shaving Supplies	5.73	28.68	29.77	− 3.66	5.85	[illegible]	10	31.0
All Other Creams & Lotions	1.77	8.86	10.97	−19.22	1.74	2.65	2	29.9
Total	100.00	$500.52	$405.76	23.35	100.00	[illegible]	178	30.4

% of total H&BA volume . . . 5.37%

The ripe market for beauty creams and lotions supported many new entries last year. In return these products, backed by hefty advertising bucks, boosted subcategory sales. Suppliers spent approximately $23 million in consumer advertising to promote hand and body creams and lotions in supermarkets.

Repositioning also had a positive impact on sales. "Women with dry skin are no longer the sole audience for skin care products," explains a spokesman for Westwood Pharmaceuticals, manufacturers of Keri lotion. "Creams and lotions are now being pitched to men as well as women. They're advertised for the entire family's use. In the 70's hairsprays were similarly repositioned for men. Soon afterward the category took off."

Healthy self-interest helped increase the rate of sale on facial creams and lotions even more than it did for products applied to the body and face. Beauty creams and lotions for the face wiped up 45.52% more sales this year than last. Dollar volume rose to $111.70 million, $34.94 million more than in 1979.

"Face creams and lotions took off like wildfire last year mostly because of Oil of Olay's success," explains one Midwest distributor. "By pouring $20 million into consumer advertising, the company created a lot of interest in face care, with the promise of younger looks, and sparked much competition in the market."

Who's who in terms of unit movement?

Towne-Oller reports the top six brands in the first quarter of 1981 were: (1) Vaseline Intensive Care, (2) Jergens, (3) Wondra, (4) Mennen (Baby Magic), (5) Johnson's (Baby Lotion), (6) Ponds (cream with cocoa butter). The top three in unit sales held their position in terms of dollar volume, too. However, Johnson's placed fourth in dollar volume, Mennen fifth, Keri sixth and Ponds seventh.

In Towne-Oller's first quarter lineup, suntan products also made an impressive showing. The subcategory's up 215.7%. If that rise is an indication of how its sales will progress this year, the subcategory will easily surpass last year's total in dollar volume. In 1980, a year with a long, hot and dry summer, suntan product sales rose to $44.55 million, 32.90% more than 1979.

"Sunscreen products are becoming a larger segment of the market," remarks a spokesman for Westwood Pharmaceuticals, manufacturers of Pre-Sun. "The educated consumer is aware that harmful ultraviolet light causes aging of the skin." He notes that many more manufacturers recognize this trend and are actively competing for consumer dollars.

H&BA/Hygiene Needs: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Sanitary Goods	41.21	$ 515.93	$ 432.39	19.32	34.06	$104.14	56	20.2
Napkins	23.50	294.31	214.63	37.12	19.92	60.92	27	20.7
Tampons	17.28	216.30	211.49	2.27	13.66	41.75	26	19.3
Belts & Other Accessories	0.43	5.32	6.27	− 15.14	0.48	1.47	3	27.6
Feminine Hygiene Products	7.06	[illegible]	56.76	[illegible]	9.26	[illegible]	33	31.9
Deodorant & Antiperspirants	51.28	641.61	562.41	14.12	56.14	171.57	140	26.7
Spray	18.27	228.71	219.33	4.28	18.71	57.18	51	25.0
Roll-On	16.85	210.98	189.56	11.30	19.33	59.07	42	28.0
Cream	1.56	19.50	17.23	13.17	2.02	6.16	6	31.6
Stick	9.92	124.11	70.50	76.04	11.29	34.50	25	27.8
Pads	0.14	1.77	3.13	− 43.44	0.18	0.56	1	31.7
All Other Deodorants & Antiperspirants	1.70	21.28	4.70	352.77	1.59	4.87	4	22.9
Powder	2.83	35.40	57.96	− 38.91	3.02	9.22	11	26.0
All Other Hygiene Needs	0.43	5.32	6.27	− 15.14	0.55	1.67	2	31.4
Total	100.00	[illegible]	$1,057.83	18.33	100.00	[illegible]	231	24.4

% of total H&BA volume . . . 13.44%

Personal hygiene: Comprised mainly of sanitary goods and deodorant products, the personal hygiene category closed 1980 up 18.33% at $1.25 billion.

Tampon sales had a tizzy of a year and lost unit volume as a result of bad press. Procter and Gamble's heavy media advertising in early 1980 for Rely tampons made tampons very attractive to consumers, and the entire subcategory flourished. In September, when the threat of toxic-shock syndrome caused P&G to recall Rely, tampon sales nationwide took a nose dive. Unit volume for the year dipped 13.56% compared to 1979. Sales volume, buoyed by higher prices, increased 2.27% to $216.30 million.

As tampon unit movement fell, napkin use rose. Napkin sales moved up 15.82% to $515.93 million.

Some manufacturers predict that the tampon market will normalize as promotional advertising by manufacturers and retailers re-establishes the product's credibility. Others think tampons will sell in increased numbers because women, back for the convenience, may be changing tampons more frequently as a measure to prevent TSS.

There's been a flurry of interest industrywide in Procter and Gamble's new "improved absorbency" tampon now up for licensing. If it succeeds where Rely failed, there could be a boom in internal feminine hygiene product growth similar to that caused by Johnson and Johnson's o.b. tampon introduction several years ago.

Regular absorbency and nondeodorant tampons head the tam-

Eve
Feminique
Wash'n Dri
pampin
SWOON
Massengill
DISPOSABLE DOUCHE

Modess
Sanitary Panty
TAMPAX
o.b.
Massengill
DISPOSABLE DOUCHE

pon popularity list. New napkin entries, particularly the new minipads, are gaining momentum.

Douches, especially disposable ones, also increased unit volume last year as manufacturers contributed new products and retailers devoted some sku's to the section. Several retailers say sales are growing at a rate of 30% a year.

Contraceptives for both males and females are a subcategory to watch in the 80's. New product introductions, in-line display units and the public's acceptance of contraceptives in supermarkets may give this burgeoning group a new lease on life next year. First quarter 1981 statistics from Towne-Oller show male contraceptives up 105.7% and female products up 36.7%.

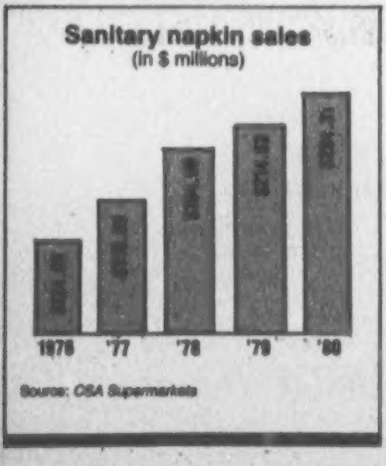
"The category's grown tremendously in the past year," says a buyer for an East Coast distributor. "Several major chains now display contraceptives in a unit of four to six linear feet."

Retailers have found that peg displays and professional packaging really affect sales. Akwell's new line, Lifestyles, keys into the supermarketer's need for a neutral package.

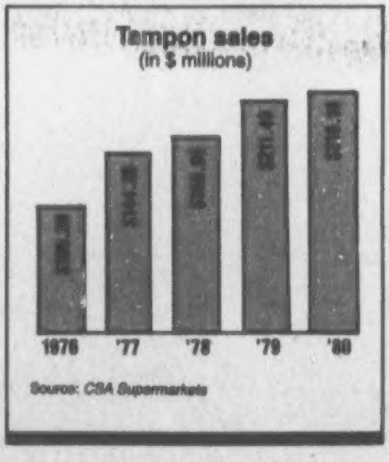
Deodorants: New product entries and their hefty promotion by manufacturers helped sticks and solids gain the biggest percentage sales rise in the $641.81 million deodorant and antiperspirant subcategory last year. Up 76.04% in dollars, stick sales hit $124.11 million and accounted for almost 10% of the total personal hygiene market. Solids—combinations of deodorants and antiperspirant products—also performed well.

Sprays and roll-ons still account for the bulk of deodorant product sales. Reformulated aerosols and pump sprays, (which manufacturers thought would strengthen the market after a slump caused by the Government ban on fluorocarbons), gained only marginally in dollar volume .

On a brighter note: Chuck Ferry, vice president, customer development at Armour-Dial, says deodorants are "almost generic-proof" because consumer loyalty to brand name personal care products is extremely strong. "The consumer is very particular about what he or she applies directly to the body." Also, development of a good deodorant product requires a "higher technology" than most generic items offer. ☐



Source: CSA Supermarkets



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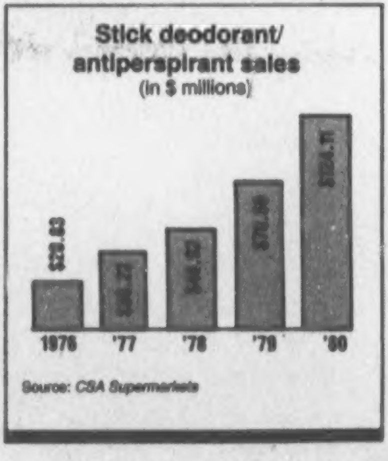


Source: CSA Supermarkets

Fewer goods equal higher profits

Steady purchases of low-cost utility wares boost sales despite cuts in shelf space

General merchandise had a back-to-basics year in 1980 as retailers nationwide pruned and primed their housewares sections to get maximum turns from a crop of proven sellers.

This strategy paid off handsomely, because retailers made more profit with fewer goods. Although GM decreased its share of total store volume by 10%, department sales rose 4.83% to $3.62 billion.

Inflation, higher overhead and limited space forced most retailers to take a hard look at general merchandise. The outcome? Store buyers reduced their inventories and concentrated on more utilitarian and practical rather than luxury or high-ticket items. They eliminated duplications and upgraded selections while maintaining a respectable assortment.

In the battle for space, brands did exceptionally well. Backed by long-term advertising and promotions, names like Ekco, Corning and Rubbermaid received high scores from consumers seeking value at an affordable price.

Retailers report record-breaking sales in standard items as consumers scoffed up hard-core basics like baking pans, cutting boards and glasses. New entries and nonessential housewares suffered, because wary buyers gave them thumbs down in the contest for space. Retailers axed cheap goods to oblige the ever-growing number of quality-conscious shoppers.

Even stores that took on or expanded general merchandise categories in 1980 did so cautiously. Supermarketers favored in and out promotions tempted by GM's 30% to 50% margins, without tying up the space or dollars in the inventory that a top-notch section warrants. Some stores, already familiar with the category, opened up smaller, permanent departments. Photo, glassware/china and DIY automotive and hardware were top candidates.

Sales booster: Food tie-ins topped the list of 1980's favorite

General Merchandise: 1980 Performance—$1 Million Supermarkets

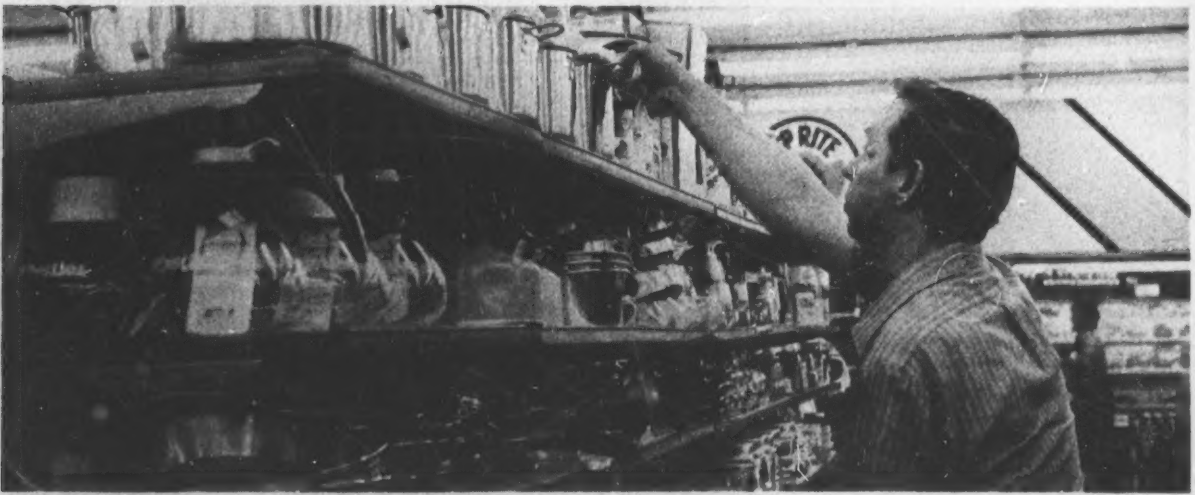
	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Glassware/China	9.02	$ [illegible]	$ 317.91	[illegible]	8.86	$ [illegible]	137	31.5
Dinnerware	3.94	142.64	159.68	− 10.66	3.01	38.51	22	27.0
Drinkware	2.34	85.10	73.63	15.58	2.28	29.10	56	34.2
Bakeware	0.83	30.14	29.77	1.24	0.87	11.18	14	37.1
All Other Glassware/China	1.91	[illegible]	54.83	28.12	1.89	24.05	45	34.8
Barbecue Items	7.78	[illegible]	203.67	[illegible]	6.10	[illegible]	23	27.7
Charcoal	5.39	195.03	122.20	[illegible]	3.71	[illegible]	9	24.3
Starter	1.13	40.79	28.20	44.61	0.86	[illegible]	4	26.8
Grills	1.08	39.01	47.00	− [illegible]	1.34	17.13	6	43.9
All Other Barbecue Items	0.20	7.09	6.27	[illegible]	0.19	2.54	4	35.8
Furniture	3.19	[illegible]	126.90	− [illegible]	2.92	[illegible]	22	32.2
Indoor	1.42	51.42	34.47	49.17	1.32	16.81	10	32.7
Outdoor	1.78	[illegible]	92.43	− [illegible]	1.60	20.44	12	31.8
Plasticware	2.97	[illegible]	92.81	[illegible]	3.46	[illegible]	69	41.3
Cookware	7.20	[illegible]	265.03	[illegible]	6.97	[illegible]	79	34.6
Cutlery	0.73	[illegible]	78.61	− [illegible]	0.85	[illegible]	18	38.3
Gadgets	2.61	[illegible]	79.68	[illegible]	2.83	[illegible]	104	38.2
Gardenware [Incl. Hoses]	1.15	[illegible]	34.47	[illegible]	1.40	[illegible]	14	43.1
Electric Ware	11.46	[illegible]	418.29	− [illegible]	13.64	174.41	105	42.8
Batteries	7.73	280.13	272.59	2.77	10.19	[illegible]	43	46.5
Appliances	2.30	83.33	112.80	− 26.12	1.74	[illegible]	26	26.7
All Other Electric Ware	1.42	51.42	32.90	[illegible]	1.71	[illegible]	36	42.6
Toys & Sporting Goods & Hobbies [Excl. Needlecraft]	4.88	[illegible]	162.16	− [illegible]	4.40	[illegible]	121	38.9
Rubber Gloves	1.42	[illegible]	58.53	− [illegible]	1.82	[illegible]	22	45.3
Auto/Marine Supplies	8.29	[illegible]	271.82	[illegible]	5.67	[illegible]	37	24.2
Tools & Fix-It Items	1.17	[illegible]	37.83	[illegible]	1.83	[illegible]	36	55.8
Vacuumware & Styrofoam	1.47	[illegible]	64.63	− [illegible]	1.57	[illegible]	27	37.8
Rubberware	0.55	[illegible]	17.33	[illegible]	0.73	[illegible]	5	46.2
Woodenware	0.24	[illegible]	9.40	− [illegible]	0.28	[illegible]	8	41.0
Holiday Supplies	1.30	[illegible]	47.00	[illegible]	19.01	[illegible]	61	40.9
Photo Needs	17.34	[illegible]	513.68	[illegible]	11.40	[illegible]	42	23.2
Cameras	2.39	[illegible]	42.30	[illegible]	1.62	[illegible]	8	23.9
Film	10.34	[illegible]	292.96	[illegible]	6.36	[illegible]	24	21.7
Flashbulbs	1.71	[illegible]	76.82	− [illegible]	1.65	[illegible]	8	33.9
Processing	2.90	[illegible]	101.00	[illegible]	1.77	[illegible]	2	20.9
Sewing Notions	0.59	[illegible]	43.87	[illegible]	0.99	[illegible]	56	59.3
Sunglasses	1.62	[illegible]	53.79	[illegible]	1.69	[illegible]	1	38.2
Fireplace Logs	1.00	[illegible]	36.96	[illegible]	5.83	[illegible]	4	27.1
Watches & Jewelry	1.03	[illegible]	43.87	− [illegible]	1.14	[illegible]	69	39.8
Light Bulbs	10.77	[illegible]	385.06	[illegible]	16.56	[illegible]	51	54.2
Standard Household	8.42	[illegible]	307.82	− [illegible]	12.94	[illegible]	24	54.2
Christmas	0.24	[illegible]	7.62	[illegible]	0.34	[illegible]	5	49.5
All Other Bulbs	2.11	[illegible]	69.62	[illegible]	3.28	[illegible]	22	55.0
All Other Housewares	2.64	[illegible]	130.03	[illegible]	2.91	[illegible]	56	38.8
Total	100.00	[illegible]	$3,404.93	[illegible]	100.00	[illegible]	1,186	35.6

% of total store volume . . . 1.98%

merchandise strategies. Since housewares in supermarkets are impulse oriented food tie-ins have great impact on sales. Managers at A&P, for instance, revamped their entire planogram to cross merchandise housewares with food and increased nonfoods sales 25% to 30%. As merchandise manager Bob King puts it, "You can make more profits selling 36 can openers than 360 cans of canned juice drink that are promoted in the same display."

Superstores are the greatest single factor contributing to GM growth in supermarkets. Chains like Safeway that have a steadfast commitment to nonfoods are opening up more stores with large departments for glassware, electrical appliances, cookware, photo needs and do-it-yourself hardware centers.

Inflationary price hikes gave gen-



eral merchandise its biggest lift. According to the National Housewares Manufacturer's Association, 79% of all housewares manufacturers raised prices last year. The average increase was 8.9%, several percentage points less than in 1979. High materials costs, expensive labor, increased overhead and inflation caused the hikes; materials nearly doubled in cost during 1980.

Although supermarkets claim only a small chunk of the $17.5-billion housewares market, manufacturers took supers very seriously in 1980. They offered an abundance of good promotions and better buying deals.

GM fought hard not only for space within its own department, but for space within the supermarket, period. Generics edged into more shelves than ever before and claimed even more GM sku's in 1980 than in previous years. Specialty sections like greeting cards also challenged traditional GM territory.

Many chains in rural areas did exceptionally well with GM. The reason: less competition and a greater community reliance on the supermarket as a general supplier.

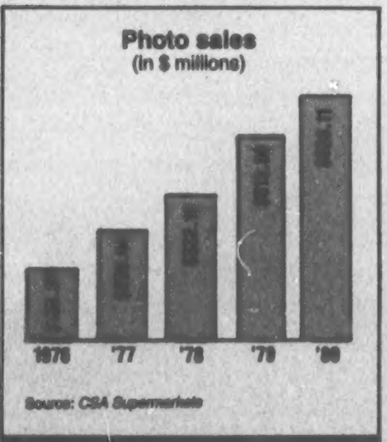
Photo needs: Photo took first place in the GM category last year. At $628.11 million, it beat out electric ware, a top seller at $414.88 million, and even outshone light bulbs, which totaled $390.05 million.

Supermarkets now have a significant portion of the $2.5-billion photo market, which has risen approximately 230% since 1974. Why the growth? For starters, women purchase 65% of all film, and 62% of them take pictures, say photo manufacturers.

Last year in supers, film rolled out with $374.52 million in sales, giving it top rank as the GM subcategory of the year. Snapping up 10.34% of total GM sales, film rose 27.34% over 1979.

Kodak reports that "steady growth in endcaps and the proliferation of photo centers has contributed to the rapid growth of photo need sales." Eye-catching seasonal promos and dump displays helped move more film and processing into shopping carts and out the supermarket door. Use of dumpers doubled in 1980, says a Kodak official.

Advertising and promotions boosted supermarket sales of film right through the roof. Having realized the potential of photo, retailers nationwide went bananas in an effort to attract consumers. Ralphs boasted 25% reductions on film developing and took out full-page ads to push its photo centers. H. E. Butt gave away clear album pages with every roll of processed Kodacolor film and supported the promo with full-page newspaper ads. Safe-



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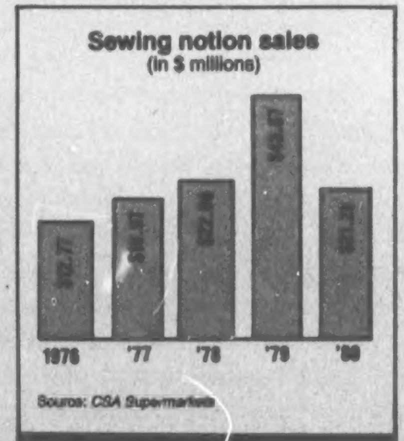

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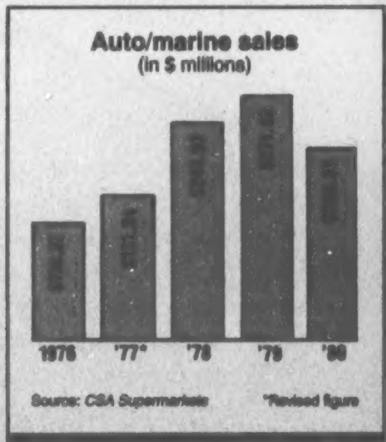

Source: CSA Supermarkets

*Revised figure

way and Kroger, leading chains in the photo field, ran similar programs.

Consumers bought film despite retail price hikes of 10% to 20%, caused primarily by increases in the cost of silver. This year's film hikes are expected to range between 7% to 9%.

"The fastest-growing segment of the business was 35mm," says Steve Mizelle, Kodak's marketing specialist for the food trade. Amateur photographers, weaned on Instamatics, are becoming more sophisticated in their picture-taking habits, he explains.

Flash bulb sales plummeted almost 20% last year. They dropped from $76.82 million to $62.05 million and are expected to decline further as more cameras come equipped with automatic flash.

Cutbacks in higher-ticket items dropped electric ware volume by 26%. Savvy store buyers rightly figured that cash-clutching consumers wouldn't invest in more expensive appliances.

Steady energy: Last year battery sales totaled $1.5 billion, and supers captured $280.13 million of that market. Having outpaced all other types of batteries for the past five years, alkaline hit a plateau in 1980, says Steve Wohlert, national manager sales development for Union Carbide, manufacturer of Eveready batteries. Wohlert attributes the flattened growth curve to more sophisticated circuitry in new devices on the market that "more efficiently utilizes battery power so that even transistor-type batteries are adequate," he explains.

Will alkaline sales diminish? Probably not, says Wohlert. Americans prefer changing batteries infrequently and alkaline's long-lasting quality may keep it in power.

Getting back to basics did marvels for tools and fix-it items, which jumped 14.91% to $42.55 million in sales in supermarkets last year as more managers added sku's to their hardware sections.

One East Coast manufacturer of hardware goods claims he increased distribution by 50% on picture

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We are the world's leading supplier of private label films, known for quality in the photographic industry for over 100 years.

When we put your name on our film, your stores create a double opportunity for profits. Customers for your-name film are presold to become customers for your photofinishing.

In 1980, over 500 million snapshots printed from our private label film in North America alone were proof of customer satisfaction.

People buy with confidence in your store name; we protect that confidence with our quality product.

If you can purchase 25,000 rolls per size/per exposure, and want to increase your profits on both film sales and photofinishing, contact

Mr. Al Silverman, Film Marketing Mgr.,
Konishiroku Photo Ind. U.S.A., Inc.,
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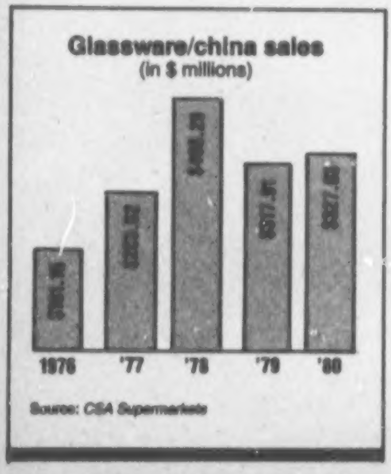
PHOTO IND. U.S.A., INC.
SAKURACOLOR DIVISION



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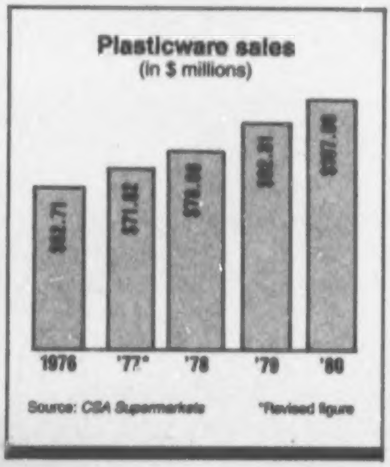
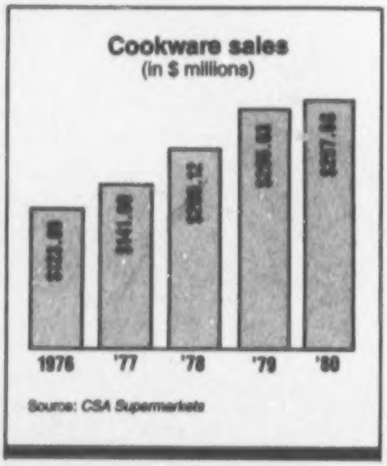


Source: CSA Supermarkets

*Revised figure



Source: CSA Supermarkets

hangers, hook assortments, nuts, bolts and screws. A growing number of do-it-yourselfers helped make assortment kits of nuts, bolts and screws, retailing for $1.99, a top seller in supers.

For the table: Although glassware/china rose barely 3% in dollar volume, this $327.03-million subcategory saw a clatter of activity last year. Comprised mainly of dinnerware, drinkware and bakeware, it proved a prime candidate for cutbacks and revamping as well as reinforcement through expansion.

In the quick-turn oriented supermarket world, high-end, slow-moving dinnerware got a "pink slip" as it dropped more than 10% in dollar volume.

"For most supers, it's the low-ticket, $5-and-under clear and tinted Pyrex that move best," explains Fred Roppo, manager-supermarket sales for Corning.

Whereas conventional supers offered limited low-end selections, superstores boasted higher-ticket collections and variety. "As more superstores emerge they're better able to handle higher-ticket items and can give dinnerware adequate space," says Roppo.

The news in bakeware, which remained stable at $30.14 million last year, was and continues to be microwave accessories like racks and browners.

Nationwide retailers placed more emphasis on low-ticket bakeware products, and used more bin-type promos and bulk packs with headers.

Drinkware enjoyed bubbling growth in sku's and dollar volume, which rose 15.58% to $85.10 million last year.

Paul Roscott, vice president in charge of mass merchandise for Durand, says glassware (tumblers, stemware and bowls) did exceptionally well in supers. Wine glass sales burgeoned in 1980, riding the rising popularity of chablis, lambrusco and burgundy.

Open, cut-case stacks were particularly successful as holiday promos for retailers in the Northeast, says Roscott.

John Meier, retail marketing manager for Libbey Glass, says glassware's profitability—up to seven turns a year at margins of 35% to 40%—prompted retailers to make a commitment to the subcategory in the form of planograms that include no less than 4 ft. of space. Superstores average 24 ft.

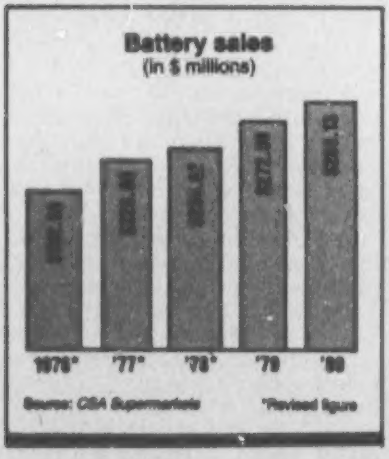
Gadgets: Don Jacobs, vice president, sales and merchandising for Ekco Housewares, says gadgets "had to run harder to get the consumer's in-store dollar last year beause they had less discretionary cash to spend."

Aggressive merchandising helped boost gadget sales 18.59% to $94.49 million. Prepacks and drop bins stimulated much interest in gadgets, as did new product entries. "Consumers bought gadgets that offered more real or apparent value," concluded Jacobs. Prices increased only about 6% for items like tea strainers, bottle and can openers, cheese graters and measuring spoons and cups.

Cookware: Inexpensive 2-qt. saucepans with covers cooked up mighty good sales for cookware last year, says Dick Keeler of General

Housewares Corp. Cast iron pans, griddles, covered chicken fryers, 5-qt. dutch ovens and spaghetti pots also helped simmer up $257.08 million for this subcategory. Favorite colors continue to be almond and brown.

Keeler predicts cookware will be "solid" in '81. "Most cookware that's purchased in supers is for a utilitarian purpose. It's an impulse buy for an immediate need and is not considered a long-range investment."

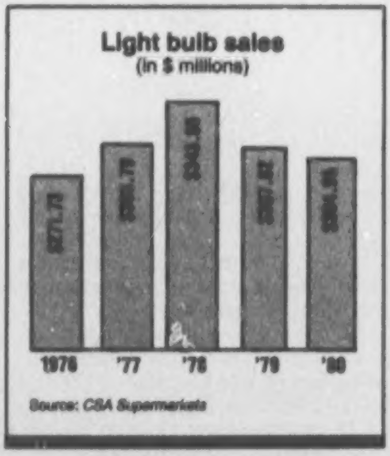

Battery sales
(in $ millions)

Source: CSA Supermarkets
*Revised figure

Loran Hinds, director of marketing and head buyer for Affiliated Foods says plastic goods for kids, especially tumblers and mugs, enjoyed excellent turns with in-out displays the entire year through. Popular characters were Strawberry Shortcake and Sesame Street muppets.

Barbecue items totaled $281.91 million as an increasing number of stay-at-home weekenders and vacationers cooked up 38.42% more chicken, steaks, hotdogs and hamburgers. Pleasant weather, lower beef prices, the higher cost of gasoline and more emphasis on home dining and family gathering all contributed to higher sales in charcoal and starter fluid.

Roy Walter, national sales manager for Rubbermaid, says that retailers were gung ho on basics but were reluctant to take on promotions for items that weren't basics.


Light bulb sales
(in $ millions)

Source: CSA Supermarkets

GM cutbacks barely nicked rubberware, which closed 1980 with $20.08 million. "Overall we gained more footage in supers," says Walter. Rubbermaid sections of 8 ft. to 12 ft. became more common in 1980 as buyers continued the housewares trend toward brand name goods.

Auto and marine: Sales of auto care and marine supplies barreled into the $300-million-plus range in 1980 as more DIYers chose to change oil themselves and, in general, take better care of their cars to promote long life for their vehicles.

Automotive supplies contribute the bulk of sales in this section. Volume has shot up more than 300% in supermarkets in the past three years.

Why the growth in automotive? In 1980 many stations closed or went self-service, prompting more consumers to care for their own cars. They're spending approximately $400 more on their autos each year. Also, consumers are keeping their cars longer.

"Some manufacturers are offering a lot of short-term deals," says Stan Gabriel, sales promotion manager for Pennzoil. They're also introducing more convenient packages. Notes Gabriel, "Plastic quart bottles have good appeal."

Oil was still the subcategory's strongest seller with an estimated 60% of supers' automotive sales. Antifreeze came second and maintenance placed third.

The latest word in maintenance is polymer products, which offer a year-long shine with a one-step application. During 1980, their second year in supers, polymers literally "took off," says Ed Sokolofski, vice president, marketing for Turtle Wax. A kit retails for approximately $9.

In the standard car wax market, SAMI reports that Turtle Wax and Johnson's maintain leading positions with more than 70% of the market, while Dupont and Simoniz held third and fourth place, respectively. ☐

K YOU FOR SHOPPING
A&P

Inflation may open a tough chapter

In spite of across-the-board gains that kept slightly ahead of inflation during 1980, the books and magazines category faces a whole catalog of challenges in the decade ahead. Long-running distribution hassles and soaring cover prices continue to inhibit this department's spectacular potential.

Paperbacks look particularly vulnerable, but escalating prices are apparently discouraging single-copy sales of magazines as well. The question many retailers are asking is: Have some publishers begun a process whereby they are pricing themselves out of impulse sales?

"Definitely," asserts Jim Forsyth of *Essence* Magazine. "Magazine and paperback publishers are, increasingly, bumping their heads against a ceiling of consumer price resistance."

Ted Hains, a product manager for Harlequin Books, is even more adamant. "We see publishers jacking up cover prices on an indiscriminate basis, and we see the consumer pulling back in response—unless he feels he's getting good value for his dollar. There's really very little study of or understanding for the consumer's needs on the part of most publishers. When you give the consumer what he wants, he'll buy it."

High prices aren't novel, but consumers are balking at rising book costs

The victims of continued flat sales will almost certainly be the small publishers not possessed of unlimited financial resources.

"Many of the smaller houses without corporate affiliation may not survive the 80's," predicts John Rutledge, supermarket chain sales manager for Bantam Books.

Some industry observers hold a more optimistic view, feeling sales will pick up once the consumer adjusts to inflation-hyped prices. "This is just a temporary lull," reasons B. J. Stein of ICD. "Consumers are still in a state of shock, and it

Yachting
psychology today
TIME TV
Afternoon TV
SCIENCE
MODERN
NEW DAWN
ESQUIRE
HIGH-TECH
PHOTO
Popular Elec
Cue

Books/Magazines: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Magazines	60.46	$ 728.59	$ 623.49	16.92	58.87	204.85	40	28.1
Paperbacks	33.02	[illegible]	341.20	[illegible]	31.92	111.06	48	27.9
Tabloids	6.52	78.57	69.28	13.41	9.21	32.06	6	40.8
Total	100.00	$1,205.02	$1,033.96	[illegible]	100.00	$347.96	94	28.9

% of total store volume . . . 0.68%

will take time for them to get used to higher prices in this field. We're also seeing a proliferation of secondhand bookstores, and they have to be having an effect on sales as well. But the bottom line is quality."

Still, books and magazines *are* luxury items. As Warner Books' national sales manager Christian Snook sees it, "The consumer really can't compromise when it comes to items such as food and clothing. Prices can go sky high, but you still have to eat. With a book or magazine, if the consumer feels the price is too high, he simply doesn't buy it."

"Publishers had better look very carefully at cover prices of both magazines and paperbacks," warns Jim Mayor of ICD. "The economy *has* slowed down, and people are weighing their purchases very carefully. Where perhaps they once purchased every magazine in their field of interest, today they may purchase only one. Those publications, therefore, that are perceived as not giving value in keeping with the cover price are going to find themselves in serious trouble."

Not that there weren't any winners in 1980, however. Condé Nast had its best year ever and, according to Bill McCollough, marketing manager, single copy sales, the first half of '81 indicates the upward swing is continuing. Bantam Books, according to John Rutledge, "had a very good year, with deeper penetration in secondary programming." And though Warner Books experienced a slight drop in overall sales, sales in supers increased.

Romance paperbacks also continue to sell vigorously, whether displayed at checkout areas, mainline fixtures or in freestanding displays.

"In a clearly flat market we improved our share," boasts Harlequin's Ted Hains.

The consumer seems to feel that these low-priced, highly entertaining novels are one of the best entertainment values available to them. Silhouette Books, for example, a division of Simon & Schuster, publishes six books a month at $1.50 each, and finds that readers frequently purchase the entire half-dozen books at the same time.

Service and space: Meanwhile, traditional distribution difficulties continue to plague this category. Retailers gripe about local distributors who, in turn, point an accusing finger at the supers' failure to adequately service the existing book and magazine racks.

But just about everybody seems unhappy with the space being allotted to the field. "Retailers just aren't recognizing this area's potential," complains Hains. "Mass-mer-

chandising and discount stores devote four times more space to our books than supers."

The front-end publications, and in particular the tabloids, remain healthy. In fact, eight of the top 10 best-selling checkout publications saw their average monthly copy sales increase during a period when many publications are feeling the effects of diminished single-copy sales.

Among the tabloids, *The Star* was the biggest gainer. Average monthly sales over the final six months of 1980 topped 15 million, a copy increase of almost 1.5 million. During that same period, *The Globe* closed in on monthly sales of nearly 8 million, also representing a growth of nearly 1.5 million. *The National Inquirer*, meanwhile, the No. 2 checkout publication and still the best-selling tabloid in supers, watched sales swell to over 20 million, an increase of over 800,000.

Women's Day, People, Cosmopolitan, Good Housekeeping and *Us* all saw an improvement in sales; *Family Circle* experienced a slight dip in its average copy sales, but overall saw somewhat higher earnings.

The No. 1 checkout magazine *TV Guide*, had average monthly sales of over 51 million, representing a falloff of more than 2 million copies sold. Industry observers point to the flagging economy, expanded television listings in local newspapers and competing publications to explain the drop. *TV Guide*, meanwhile, continues the evolutionary process of creating a magazine that meets the needs of an ever-changing marketplace.

"We're involved in a continuous alteration of our product," says a representative of the magazine, "in terms of both physical appearance—for example, changing from staples to perfect binding—and format."

The magazine is also attempting to deal with the complicated problem of providing adequate listings for cable and other over-the-air subscription services. It has even inaugurated a special department to determine, on a market-by-market basis, the extent of cable penetration. The latest figures indicate that 21% of all American television homes have some form of subscription TV. But the level of penetration in any given area ranges anywhere from no cable to subscription channels comprising 35% of available programming.

Says the magazine's representative, "As cable continues to expand, *TV Guide* is accelerating its ability to offer appropriate coverage. We intend to supply the full-service needs of our readers, be it cable, satellite or any form of subscription TV."

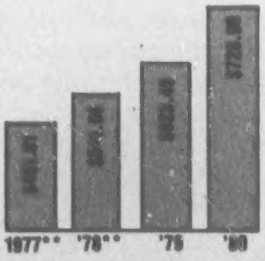
Cross-merchandising: Beyond the front-end section, retailers appear to be experimenting more with cross-merchandising, a marketing technique aimed at getting books and magazines beyond the front end and mainline fixtures into related sections elsewhere in the store, where they are more likely to reach their target audience.

Cookbooks, for instance, are turning up in the gourmet section, while baby care primers are appearing in the baby food department. Overall, cross-merchandising is viewed within the industry as anything from a clever but flawed marketing technique to a quick ticket to the promised land.

ICD, one of the major pioneers in cross-merchandising, has been involved in this merchandising strategy for several years. They began by placing shelf-extenders holding copies of *Good Housekeeping* in the Campbell's Soup section, and they haven't looked back since.

ICD's Jim Mayor explains: "Studies show that the traffic patterns in supermarkets are changing, as are the store formats themselves. For example, the average number of

Magazine sales*
(in $ millions)



Source: CSA Supermarkets

*1976 figure not reported
**Revised figure

times per week that the consumer visits his supermarket has dropped from 2½ to 1½. As stores become larger, we find that the average shopper will go down the nonfoods aisles only three times in every seven visits. Cross-merchandising is simply a technique to get your product before the consumer in a new way."

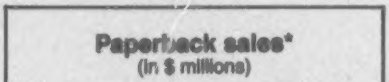
This aggressive marketing technique has also proved able to benefit not only the publication's sales, but the sales of those items with which it is positioned.

One of the most recent, and effective, applications is the ICD "Beauty Place," an elegant, smoked-plastic and silver display that carries not only magazines (both Hearst and non-Hearst publications), but cosmetics and similar beauty aids as well.

"The 'Beauty Place' experiment has done so well, we're creating a permanent version of the display that will be available to supers this August," Mayor says.

Condé Nast, one of the publishers whose magazines are featured on the ICD display, feels this is an area of considerable potential, "especially when it's handled and serviced properly." But other publishers have had problems in this area. "We tried cross-merchandising," explains Forsyth, "with some of the cosmetics companies that advertise in *Essence*. But frankly, it was difficult to sustain their interest in the project."

A representative of Dell Books has had a slightly different problem. "We've tried cross-merchandising on a limited scale, and I feel it's a good idea in most instances. But we had labor problems, for one thing. We found it wasn't so easy to get our materials into the different sections of the stores. When you get right down to it, someone else has to put it on the shelves, and many of these people just didn't know where to put our stuff—particularly when it was vended through the local wholesaler."



Source: *CSA Supermarkets*

*1976 figure not reported

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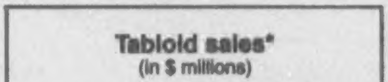


Source: *CSA Supermarkets*

*1976 figure not reported

**Revised figure

Hearst's Mayor has seen other problems emerge as well. "Too often you see a single magazine being cross-merchandised, and while this is almost always good for the publisher in that his sales go up, it creates difficulties for both the store and for those local people who have to service it.

"Our surveys reflect the fact that you should cross-merchandise *groups* of magazines. This creates a solid profit center and helps the wholesaler since he's now dealing with several titles. In our 'Beauty Place' we offer eight different titles, for example."

Reading centers: The other major trend in 1980 saw the continued emergence of the Family Reading Center in supermarkets, encouraged by the trends toward larger stores and the consumer move to one-stop shopping. As supers get bigger, studies indicate that better than two of every three new stores plan to include some sort of special section for books and magazines.

"Books and magazines are different from items such as food or laundry detergent, and consumers tend to shop for them in a different way," explains Harlequin's Hains. "The book purchaser likes to stop and browse, perhaps leaf through his reading material before making a purchase, and these needs have to

6
Greeting Cards
Children Books
Candies
5
Canned Juices
Bottled Juices
Juice Drinks
Poultry
FAMILY PRIDE
FAMILY READING CEN

be taken into account."

Specialty and comics: Sales of specialty, or purse, publications, dealing with subjects ranging from diets and horoscopes to crossword puzzles also saw limited growth in '80, and both specialty and comic books are taking the first steps toward cross-merchandising. Specialty booklets are turning up in related sections, and comics are beginning to look longingly toward sections frequented by youngsters, such as the cereal area.

Several years ago Archie Comics tried an experiment in which retailers screwed hooks into the cereal shelves and hung comics from them. The results were encouraging, and in the year ahead Warner plans a similar cross-merchandising experiment with its *Mad* magazine. "We just created a lip-on rack for *Mad*," explains Warner's Chris Snook, "especially for the cereal section, and we'll be testing this out in Cleveland."

Many industry observers feel that if the supers don't start getting serious about comics, the business will simply go elsewhere. Kids, especially in rural areas, don't have access to corner candy stores and must therefore turn to their local malls and shopping centers. The result is the proliferation of the so-called Superhero shops, which carry not only comics, but comics-related items as well.

Although comics publishers continue to complain over the lack of penetration, those that have made their way into supermarkets are showing nice growth.

Supers have traditionally been loath to carry comic books for a variety of reasons. For one thing, they argued, most comics are read by kids, who tended to remove the books from the pockets without replacing them properly. The move toward merchandising several comic books together in a sealed, plastic package would seem to have solved that difficulty, but as Marvel Comics' Ed Shukin explains, "We're still facing a lot of resistance on the part of supermarkets. Where we have gotten good penetration, however, statistics show that the comic book rack turns over 20 times, and the return rate on inventory is excellent."

Adds an industry observer, "It seems awfully strange that supermarkets carry everything from lunch pails to underwear featuring characters such as Spiderman and the Hulk, but the books in which these characters were created are nowhere to be found."

Trade paperbacks: Outside of supers, the big news in the book world has been the phenomenal success of trade paperbacks, higher-priced publications designed to appeal especially to the young, upscale reader. Now trade paperbacks seem to finally be on the verge of staking out territory in the supermarket as well. Bantam Books plans on initiating a whole new phase in book marketing with its trade line. It will include subjects ranging from romantic novels to hints on battling cellulite.

"As long as the subjects aren't too esoteric," we feel this will be a strong entry," says Bantam's Rutledge. "We're getting very good support with it."

Overall, this category is still struggling to break out of the limited space available at checkout areas and in mainline fixtures, and at the same time overcoming built-in distribution sore spots and reaching an understanding among the multitiered distribution chain.

"We have to convince retailers that books and magazines are not a secondary category, but a prime category," explains John Fitzmaurice, who heads up the Periodicals Institute. "This is largely a matter of consumer awareness, and by providing mobiles, decals, tags, buttons and such with the Family Reading Center trademark, we increase both awareness and recognition." ☐

Greeting cards spread good news

Greeting card sales rocketed almost 30% last year as more and more supermarkets jumped into the category. Average department footage continued to rise as supermarketers increased their merchandising savvy and fine-tuned the department.

Industry sources claim that 84% of new supers feature greeting card sections. Says Wynn Weaver, national sales manager, American Greetings Corp., "I don't know of any new supermarket that's part of a major chain that isn't carrying cards."

Andy Gendron, national sales manager, Norcross-Rust Craft, adds, "Putting greeting cards in supermarkets is still a relatively new concept, but it's becoming more popular every day."

Average department size is growing by leaps and bounds, from 32 ft. to 44 ft. over the last five years. John Kelly, national supermarket sales director, Ambassador Cards, says that figure should hit 46 ft.-48 ft. by year's end. Several manufacturers report sections over 100 ft. in conventional supers and superstores.

Combo stores are installing even larger departments. "They've shown the biggest growth pattern," says Weaver. "We service two departments in excess of 200 ft. in combos on a test basis."

Roses are red, profits are black, cards are booming; are pens coming back?

What's causing this phenomenal growth? Many industry spokesmen point to the one-stop-shopping trend. Says Gendron, "There are so many two-worker families that time becomes an important factor. Shoppers now plan to make greeting card purchases in the supermarket."

A spokesman for Ambassador Cards agrees that convenience is important: "People just aren't going to do the nine stops on the way home anymore." He also points out, "Women are the predominant purchasers of greeting cards, and they're constantly in supers."

Another plus, manufacturers indicate, is that supermarketers are becoming more tuned in to general merchandise, including cards.

Success story: One of the strongest commitments to an expansion of general merchandise lines has been made by Safeway, and its pledge includes stationery in general and greeting cards in particular.

At its newest and largest unit, for example, a 62,000-square-footer opened this spring in Washington, D.C., greeting cards occupy roughly 48 running feet of shelf space. "In the week prior to Mother's Day, the 16-ft. holiday

Cards, Stationery, Supplies: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Chg.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/Brands/Sizes at Whse.	Avg. Gross Margin (% of Retail)
Greeting Cards, Gift Wrap	17.98	[illegible]	$ 84.29	[illegible]	18.97	[illegible]	19	41.7
Stationery & School Supplies	79.99	[illegible]	348.93	[illegible]	81.03	[illegible]	228	46.3
Envelopes	7.85	40.73	36.03	13.18	8.40	20.11	16	49.3
Tape	10.59	54.96	39.17	40.31	11.41	27.32	21	49.7
Fillers	5.80	30.14	20.37	47.98	4.52	10.82	5	35.9
Pens, Pencils, Felt Tips	13.99	72.59	62.66	16.01	14.85	35.55	43	48.9
Tablets [Incl. Steno Pads]	6.82	35.40	29.77	19.11	7.35	17.50	17	49.6
Stationery	2.08	10.80	10.16	6.34	2.36	5.64	2	52.6
Crayons, Chalk, Markers	3.75	19.50	21.93	−11.07	3.70	9.07	13	46.5
Binders	2.05	10.64	7.83	35.93	1.79	4.22	5	40.3
Subject, Theme Notebooks	5.80	30.14	29.77	1.24	6.16	14.74	14	48.9
Paste, Glue, Mucilage	3.70	19.20	18.80	3.72	4.28	10.24	11	52.5
Memo, Scratch Pads	2.86	14.88	14.10	5.53	2.91	6.98	10	46.9
Typing, Tracing, Graph, Carbon Paper/Pads	1.36	7.09	6.27	13.08	1.41	3.38	4	47.7
Twine, Labels, Brown Wrapping Paper	0.34	1.77	2.01	−11.93	0.37	0.88	2	49.6
Rulers, Compasses, Protractors	0.53	2.78	3.13	−11.17	0.00	0.00	3	0.0
Art Materials, Paints, Brushes	0.68	3.55	3.13	13.42	0.68	1.61	7	46.3
Erasers, Eradicators	0.82	4.34	3.13	[illegible]	0.70	1.69	4	52.0
Sharpeners, Staplers, Staple Removers, Paper Scissors	0.94	4.91	4.70	4.47	1.05	2.52	5	51.4
Rubber Bands, Clips, Pins, Staples, Fasteners	0.68	3.55	3.13	13.42	0.81	1.93	6	54.3
Folders, Files, Index Cards	1.71	[illegible]	6.27	[illegible]	1.74	4.17	8	47.1
Playing Cards, Chips	1.71	[illegible]	7.83	[illegible]	1.61	[illegible]	9	48.4
All Other Stationery Supplies	5.12	[illegible]	18.80	[illegible]	4.83	11.57	23	43.5
Total	100.00	[illegible]	$433.22	[illegible]	100.00	[illegible]	[illegible]	46.1

% of total store volume . . . 0.29%

card section turned six times," says Dave Harvey, the unit's manager.

That kind of success can be credited to both greeting card companies' support of supers and the retailers' tendency to pay more attention to the department. "Although supermarketers still have to rely on the expertise of vendors, there's a little more finesse evident," says Weaver.

Adds Ambassador's Kelly, "There's a trend to take a more active interest in the greeting card department. Retailers are realizing that the only way you can maximize profits is to get involved."

Expert help: Many companies are helping the supermarketer by developing systems more appropriate to his needs. For example, Gibson's Everything Up plan for their Buzza line is designed to solve inventory problems by providing more display space and eliminating drawer stock.

Gendron says that Rust Craft helps retailers merchandise cards by directly attacking their problems. The supplier provides his own fixturing and sets up a space management program serviced by a full-time representative who works the department. This gives the supermarket the benefit of an expert's knowledge.

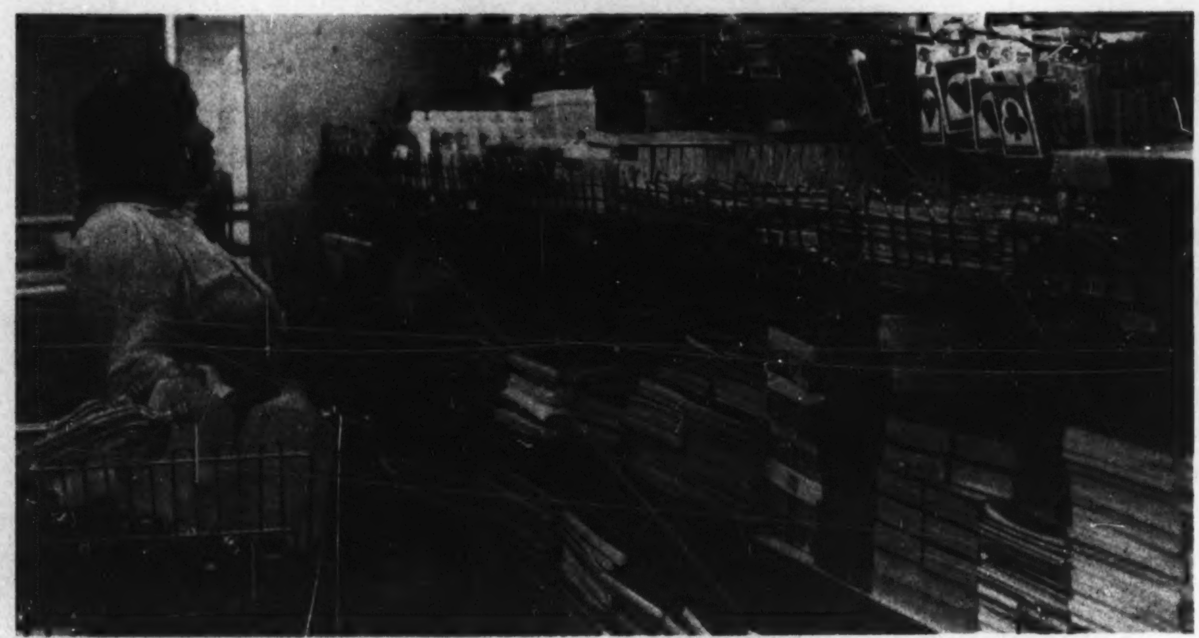
Manufacturers agree that retailers are more aware of the sales and profit potential of greeting cards. "More people understand that it can supply up to 11% of pretax profit," says Weaver.

Greeting cards provide supers with an average of 0.4%-0.6% of store volume, according to Kelly. What's more, the category is virtually unaffected by the economy. "When money's tight, people buy a card instead of a gift," Kelly contends. "When money's good, they buy both."

However, Kelly adds, there's still room for improvement in the supermarket greeting card picture. He believes cross-merchandising to tie in seasonal promotions could be a gold mine. "The potential of supers in seasons has not been scratched yet," he claims.

For example, Halloween cards and party decorations could be cross-merchandised with candy and other products, like soft drinks, appropriate for Halloween parties.

Binders: After disappointing sales in '79, binders made a come-



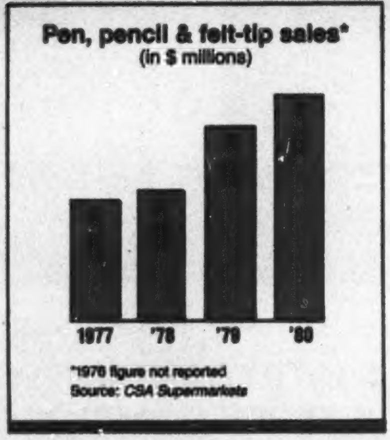
back in 1980.

Mead's Trapper Keeper did particularly well. What's more, the increase in binder sales pulled filler sales up along with them.

The continuing trend toward home offices helped sales of related items. Folders, files and index cards zoomed 41.31% as consumers kept more careful financial records and supers gave more space to the high-profit items.

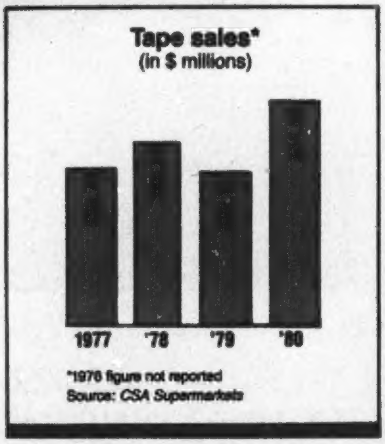
Supers are filling the niche left in suburban areas by stationery stores that are headquartered in cities. The increasing numbers of people who work full- or part-time out of their homes has contributed to sales rises. As supermarkets give the department more visibility, sales of high-ticket items like fireproof metal boxes should increase.

Pens: The writing instrument field has been extremely active over the last few years. Unfortunately, it's also an area in which supermarkets are missing the boat. Industry sources place supers' market share at only 15%-20%, well behind both mass merchandisers and drug stores.



Pen, pencil & felt-tip sales*
(in $ millions)

*1976 figure not reported
Source: *CSA Supermarkets*



Tape sales*
(in $ millions)

*1976 figure not reported
Source: *CSA Supermarkets*

Product proliferation and a changing market engendered by technological developments may be causing part of the problem. Richard L. Brett, vice president of marketing for Scripto, says, "As the market becomes more complex, stocking decisions are more difficult. The consumer is getting very selective. If she can't find the specific pen she wants, she won't settle for something else—she'll go elsewhere."

Several companies are moving to help retailers cope with the rapidly changing market. Scripto, which considers supers a high priority, will customize planograms for individual clients. And a spokesman for Bic claims that their "pegmanship" planogram program is "a way to keep on top of what's selling." It can be altered to meet a store's particular needs, and is updated regularly.

The most rapidly growing market segment is the erasable pen, which has skyrocketed to claim more than 20% of retail volume in only about two years. Estimates are that it will reach 100 million units by the end of 1981. PaperMate and Scripto are the two companies fielding entries, with both offering disposable and refillable models.

Roller pens are another item that has developed into a real mover in recent years. A Bic spokesman predicts, "Roller pens will eventually replace porous-point pens," and adds that they expect to see sales increase 25%-30% this year.

Even more product proliferation should be evident in the next few months. Pentel has just introduced Stylo, the first disposable porous-tip fountain pen. Other movement should be in expansion of established lines and more multipacks, which are increasing in year-round sales. ☐

Product changes spark buying shifts

Introduction of liquid soaps and combo laundry items prime sales pump

The household supplies category has traditionally been a fairly static one, with more activity in brand competition than in real product changes. Certainly, the major companies are still going at the brands war tooth and nail, but lately there's been other action as well. Unexpected shifts in some of the relatively "minor" categories, the dramatic success of liquids in the usually staid soap section and the popularity of combination laundry products have all produced excitement in the field.

Laundry detergents, the giant in the household supplies aisle, racked up $1.63 billion in volume in 1980. Procter & Gamble, Lever Brothers and Colgate-Palmolive continued their dominance of the category, together claiming more than 85% of the market.

Although powders are the biggest sellers, industry observers say there's been more activity in liquids. The majority of new products, both branded and private label,

Household Supplies: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	[illegible]	1979 Dollar Volume (Millions)	[illegible]	% of Dept. Gross Profit	[illegible]	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Soaps & Detergents	59.43	[illegible]	$2,869.24	[illegible]	39.99	[illegible]	231	16.9
Laundry & Ironing Aids	14.98	[illegible]	630.47	[illegible]	13.68	[illegible]	126	28.0
Cleansers	10.67	[illegible]	1,007.34	[illegible]	22.19	[illegible]	191	24.9
Waxes & Polishes	4.82	[illegible]	253.99	[illegible]	6.55	[illegible]	67	31.0
Cleaning Implements	5.46	[illegible]	333.70	[illegible]	9.84	[illegible]	163	35.0
Miscellaneous HHS	5.62	[illegible]	335.60	[illegible]	6.65	[illegible]	118	33.0
Total	100.00	[illegible]	$5,418.94	[illegible]	100.00	[illegible]	[illegible]	21.4

% of total store volume . . . 3.54%

Soaps & Detergents: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Liquid Soaps	1.56	[illegible]	$ 8.72	[illegible]	2.72	[illegible]	6	20.5
Bar Soap	18.60	[illegible]	523.25	[illegible]	20.76	[illegible]	66	18.8
Face Size	5.61	[illegible]	167.63	[illegible]	5.89	31.70	14	17.7
Bath Size	12.99	[illegible]	355.62	[illegible]	14.87	80.07	52	19.3
Hand Cleaners	0.22	[illegible]	6.27	[illegible]	0.30	[illegible]	2	22.9
Children's Bubblebath	0.17	[illegible]	6.92	[illegible]	0.31	[illegible]	1	31.5
Soap Powders/Flakes/ Washing Sodas	1.09	[illegible]	30.17	[illegible]	1.01	[illegible]	2	17.9
Automatic Dishwasher Items	9.05	[illegible]	252.23	[illegible]	10.37	[illegible]	18	19.3
Detergents	8.72	[illegible]	241.26	[illegible]	9.87	53.17	16	19.1
Rinses	0.33	[illegible]	10.97	[illegible]	0.50	[illegible]	2	25.1
Heavy-Duty Detergents	51.09	[illegible]	1,498.25	[illegible]	43.82	[illegible]	82	14.9
Powder, Controlled Suds	22.05	[illegible]	555.15	[illegible]	19.06	[illegible]	45	14.6
Powder, High Suds	17.88	[illegible]	620.38	7.97	14.42	77.84	17	13.6
Liquids	11.16	[illegible]	322.72	[illegible]	10.32	[illegible]	20	15.6
Light-Duty Detergents	16.99	[illegible]	481.63	[illegible]	18.90	[illegible]	48	18.8
Powder	0.72	[illegible]	22.61	[illegible]	0.67	[illegible]	2	15.7
Liquid	16.27	[illegible]	459.02	13.17	18.23	[illegible]	46	18.9
Laundry Bar Soaps	0.22	[illegible]	7.63	[illegible]	0.30	[illegible]	1	20.9
Special-Purpose Laundry Detergents	1.11	[illegible]	46.37	[illegible]	1.31	[illegible]	3	23.0
Total	100.00	[illegible]	$2,888.24	[illegible]	100.00	[illegible]	231	16.9

% of total HHS volume . . . 50.43%

have been liquids, and that subcategory has grown the most in both tonnage and volume over the past five to six years.

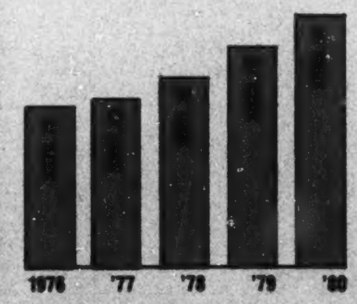
Observers say this growth trend should continue, although the pace has begun to slow. Consumers seem to like liquids because of the convenience of being able to pretreat spots and stains with the same product they use for the entire wash. Liquids are also favorites in areas with hard water.

Combo intros: A new wrinkle in the subcategory is combination products, like Texize's Yes, which are designed to both clean and act as a fabric softener. This approach has spread to powders; Bold, for example, has been reformulated to include a softener.

Retailers and suppliers are promoting combination products as both economical and convenient, but some industry executives take a jaundiced view of the items. Says one, "When you get a product that does two things, it usually doesn't do either very well. You're trading efficiency for convenience. People will do that, but only to a point. These items may have a niche, but that's it."

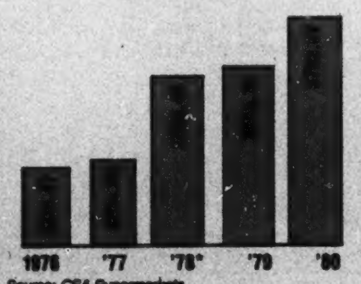
Meanwhile, conventional fabric softeners are still doing well. The introduction a few years ago of soft-

Bar soap sales
(in $ millions)



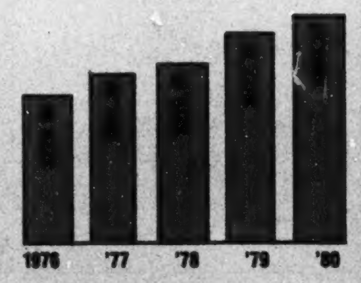
Source: CSA Supermarkets

Powdered controlled suds heavy-duty detergent sales
(in $ millions)



Source: CSA Supermarkets
*Increase partially due to correction of data

Liquid heavy-duty detergent sales
(in $ millions)



Source: CSA Supermarkets

Cleansers: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	[illegible]	1979 Dollar Volume (Millions)	[illegible]	% of Dept. Gross Profit	[illegible]	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Scouring Powder	18.72	[illegible]	$ 190.26	[illegible]	8.13	[illegible]	10	18.9
General Household Cleaners	22.61	[illegible]	224.03	[illegible]	19.33	[illegible]	29	21.9
Liquid	17.90	[illegible]	189.56	[illegible]	16.03	[illegible]	24	22.3
Dry	2.35	[illegible]	23.50	[illegible]	1.73	[illegible]	3	18.4
Aerosols	1.76	[illegible]	10.97	[illegible]	1.57	[illegible]	2	22.2
Ammonia	2.58	[illegible]	28.28	[illegible]	2.58	[illegible]	7	25.0
Special Purpose Cleaners	44.21	[illegible]	410.72	[illegible]	46.30	[illegible]	84	26.2
Drain Cleaners & Lye	4.70	[illegible]	47.00	[illegible]	4.71	[illegible]	8	25.0
Bathroom & Bowl Cleaners	16.89	[illegible]	159.79	[illegible]	17.27	[illegible]	34	25.5
Glass Cleaners	7.05	[illegible]	68.93	[illegible]	7.64	[illegible]	11	24.9
Spot Removers & Cleaning Fluids	1.62	[illegible]	14.10	[illegible]	1.97	[illegible]	4	30.4
Other Special-Purpose Cleaners	10.49	[illegible]	89.30	[illegible]	12.64	[illegible]	21	28.8
Oven Cleaners	3.52	[illegible]	37.60	[illegible]	3.36	[illegible]	6	23.8
Deodorizers/Disinfectants	20.56	[illegible]	238.13	[illegible]	23.65	[illegible]	61	28.7
Room Sprays—All Types	7.34	[illegible]	101.83	[illegible]	7.48	[illegible]	14	25.4
All Other Deodorizers	13.22	[illegible]	136.30	[illegible]	16.17	[illegible]	47	30.5
Total	100.00	[illegible]	$1,097.34	[illegible]	100.00	[illegible]	191	24.9

% of total HHS volume . . . 19.07%

ener sheets that work in the dryer seems to have focused attention on the field. Although dryer-type products are gaining sales and nave even knocked off some weaker liquid brands, the long-term effect apparently was to expand the entire market. One industry observer says that liquids are now doing "much more" case business than they did before the dryer items debuted, and points out that the category as a whole has doubled since that time.

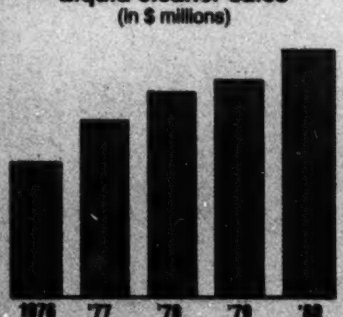
Activity in bleaches is largely in the generic field. The general industry consensus places generic share of the liquid bleach market at close to 30%. Clorox remains the leader in the branded market, with Purex in the No. 2 position.

Dry bleaches haven't been nearly as hard hit, however. Indeed, the future may see yet another brand entry in that field, as Procter & Gamble is testing a repositioned Biz as a bleach in several markets.

Generics, however, may threaten the entire household supplies category. Many shoppers who are trying to control their supermarket bills seem more willing to trade down on nonfoods items than on what they put on their tables. A recent study, for example, cites bar soap as one of the generic products consumers find appropriate to buy.

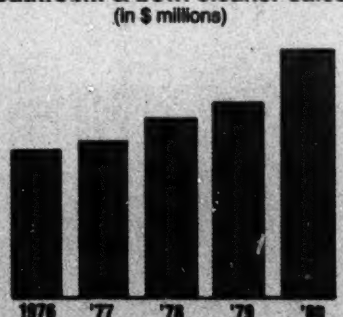
Bar soap is facing other problems as well. Liquid soaps have made fast inroads, and many observers are wondering just how far they'll get before they level out.

Liquid cleaner sales
(In $ millions)



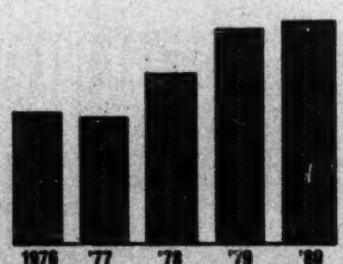
Source: CSA Supermarkets

Bathroom & bowl cleaner sales
(In $ millions)



Source: CSA Supermarkets

Room deodorizer/ disinfectant sales
(In $ millions)



Source: CSA Supermarkets

Laundry & Ironing Aids: 1980 Performance—$1 Million Supermarkets

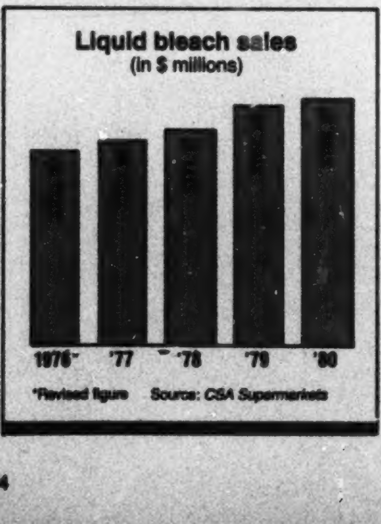
	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Bleach & Bleach Substitute	33.46	$315.59	$294.82	7.16	25.36	$ 47.74	21	15.1
Liquid	21.05	198.57	194.26	2.22	13.92	26.21	12	13.2
Dry	12.41	117.02	100.26	16.72	11.43	21.53	9	18.4
Bluing	0.76	[illegible]	4.70	[illegible]	0.81	1.62	1	21.4
Softeners & Conditioners	43.61	411.33	[illegible]	14.10	43.77	82.44	39	20.0
Fabric Softeners & Rinses	41.54	391.83	333.39	15.78	41.40	77.97	37	19.9
Water Softeners & Conditioners	2.07	19.50	22.10	−11.75	2.37	4.47	2	22.9
Starch	3.57	[illegible]	28.20	[illegible]	4.21	7.93	7	23.6
Dry	0.19	1.77	1.57	12.74	0.24	0.45	1	25.2
Liquid	0.56	5.32	4.70	13.19	0.64	1.21	1	22.8
Spray	2.82	[illegible]	21.93	21.25	3.33	6.28	5	23.6
Ironing Aids	1.50	[illegible]	12.53	13.17	2.71	5.10	3	36.0
For Iron	0.94	[illegible]	7.83	13.15	1.99	3.74	2	42.2
For Fabric	0.56	5.32	4.70	13.19	0.72	1.36	1	25.6
Laundry Room Hard Goods	1.88	17.78	21.89	−18.14	4.00	7.54	6	42.5
Fabric Dyes	2.07	[illegible]	10.97	[illegible]	4.48	8.44	34	43.3
Presoaks	12.69	[illegible]	89.30	27.07	13.07	24.92	11	21.7
All Other Laundry Items	1.13	[illegible]	7.65	[illegible]	1.60	3.01	3	28.3
Total	100.00	[illegible]	$820.47	[illegible]	100.00	[illegible]	125	20.0

% of total HHS volume . . . 14.90%

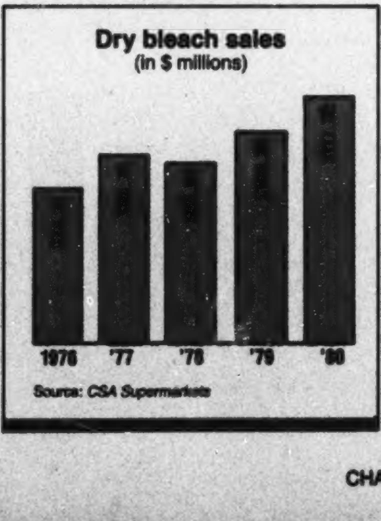
Liquid soap: Yardley of London was the first company to go into national distribution with a liquid soap, a pump-dispensed version of their English Lavender Soap. Thomas Measday, vice president and general manager, says, "We initiated the category, and we've given it consistent support over the last three years. The category is still growing—it's growing faster than anyone expected. We see it being a major growth factor for the next three years, and as a permanent factor in the category." Yardley has since added Cocoa Butter, Baby Soap and, just recently, Aloe Vera types to the line. The company is aiming its liquids to totally supplant bar soaps; says Measday, "Our soaps have always been geared to specific ingredients. The formulas are very gentle—they're of cosmetic quality."

Minnetonka Inc. claims its Softsoap, which went national in early 1980, now accounts for 80% of the liquid soap market. The company has added a larger-size Softsoap and introduced Work Soap, designed as a heavy-duty liquid cleanser that also contains skin conditioners. A Minnetonka spokesman says the firm intends to reach a 10% share of the total bar soap market in 1981.

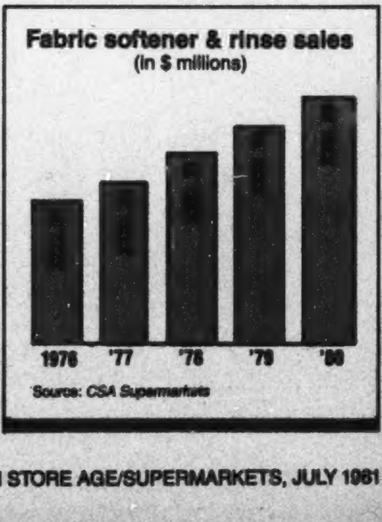
Some industry executives doubt it will meet this goal. "Liquid will grab a 5 or 6 share and not go much further," says one. "Most toilet soap is used in the shower, and liquids cost too much for shower use be-



*Revised figure Source: *CSA Supermarkets*



Source: *CSA Supermarkets*



Source: *CSA Supermarkets*

Waxes & Polishes: 1980 Performance—$1 Million Supermarkets

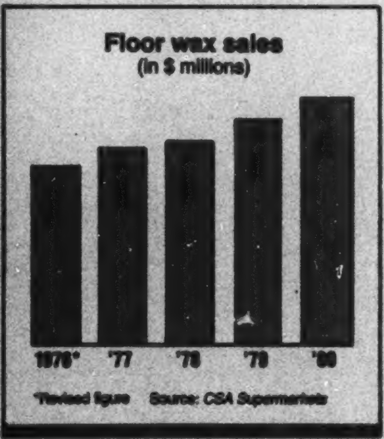
	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Floor Waxes	26.60	$ 76.23	$ 66.93	13.90	22.05	$19.59	13	25.7
Cleaner [Liquid]	12.99	37.23	28.20	32.02	11.40	10.13	5	27.2
Regular [Liquid]	12.99	37.23	36.03	3.33	10.06	8.94	7	24.0
Paste	0.62	1.77	4.70	−62.33	0.59	0.52	1	29.4
Cabinet/Kitchen Wax	2.47	7.09	6.27	13.08	2.05	1.82	1	25.7
Furniture Polish	43.28	124.11	93.99	32.05	35.81	31.81	21	25.6
Regular Liquid	6.18	17.73	14.10	25.74	5.69	5.05	3	28.5
Aerosol	29.68	85.10	67.36	26.34	23.57	20.94	13	24.6
Scratch Remover	1.24	3.55	3.13	13.42	1.04	0.93	1	26.1
All Other Furniture Polish	6.18	17.73	9.40	88.62	5.51	4.89	4	27.6
Metal Polish	7.25	20.78	17.55	18.40	6.43	5.72	6	27.5
Copper	2.30	6.59	5.02	31.27	2.05	1.83	2	27.7
Silver	2.47	7.09	6.27	13.08	2.23	1.98	2	27.9
All Other Special-Purpose Metal Polish	1.24	3.56	3.13	13.42	1.11	0.99	1	27.8
All Other All-Purpose Metal Polish	1.24	3.55	3.13	13.42	1.04	0.93	1	26.1
Shoe Care Supplies	20.40	58.50	46.95	24.60	33.66	29.89	46	51.1
Polish—Liquid, White	3.09	8.86	7.83	13.15	4.80	4.26	4	48.1
Polish—Liquid, All Other Colors	2.47	7.09	6.27	13.08	3.48	3.09	5	43.6
Polish—Nonliquid, All Colors	7.42	21.28	17.23	23.51	11.43	10.15	11	47.7
Dye & Coloring	0.62	1.77	1.52	16.45	1.00	0.89	1	50.0
All Other Shoe Care Items	6.80	19.50	14.10	38.30	12.95	11.50	25	59.0
Total	100.00	$286.71	$233.08	23.01	100.00	$88.82	87	31.0

% of total HHS volume . . . 4.52%

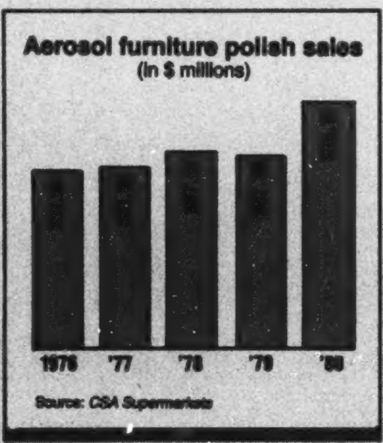
cause you need so much. Until someone figures out how to overcome that problem, it won't go too far."

However, a good many people disagree, as evidenced by the many companies jumping on the liquid soap bandwagon. Private label versions and close branded copies are popping up right and left, along with several variations on the theme. For instance, Sparkle Plenty's SupraSoap is a foam that needs no water or rinsing. Dominick O'Connor of New Concepts claims its Soap Drops is unique in that it has a soap, rather than detergent, formulation and that dispenser refills are available. O'Connor predicts that novelty dispenser bottles may appear on the scene before long.

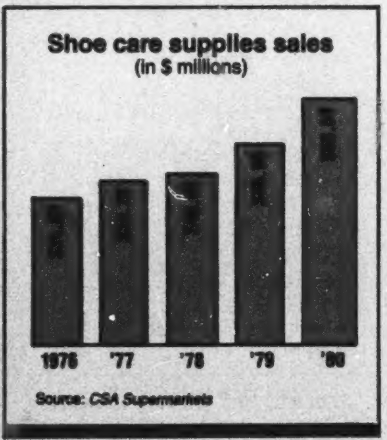
Oven cleaner sales remained flat, keeping just ahead of inflation. However, aerosols are growing better than the category as a whole. Says Kim Smith of Dow Chemical,


Floor wax sales
(in $ millions)

*Revised figure Source: *CSA Supermarkets*


Aerosol furniture polish sales
(in $ millions)

Source: *CSA Supermarkets*


Shoe care supplies sales
(in $ millions)

Source: *CSA Supermarkets*

Cleaning Implements: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Brooms	[illegible]	$ [illegible]	$ 34.47	−12.[illegible]	9.11	$ 11.18	8	37.2
Mops & Mop Accessories	21.[illegible]	72.[illegible]	64.24	[illegible]	[illegible]	[illegible]	21	[illegible]
Wet Mops & Refills	6.16	21.28	17.23	23.51	6.82	8.36	7	39.3
Dust Mops & Refills	2.06	7.09	9.40	−24.56	2.30	2.82	4	[illegible]
Sponge Mops & Refills	11.80	40.78	34.47	18.31	12.80	15.70	8	38.5
Mop Handles & Clips	0.51	1.77	1.57	12.74	0.69	0.84	1	47.6
Wax Applicators	0.51	1.77	1.57	12.74	0.62	0.76	1	43.0
Brushes	14.87	51.41	57.97	−11.31	[illegible]	24.[illegible]	27	[illegible]
Scrub Brushes	2.56	8.86	14.10	−37.15	3.58	4.40	4	[illegible]
All Other Household Brushes	12.31	42.55	43.87	− 3.00	16.66	20.47	23	48.1
Sponges [Natural & Synthetic]	[illegible]	[illegible]	61.70	[illegible]	[illegible]	[illegible]	17	[illegible]
Cloths For Polishing & Dusting	[illegible]	[illegible]	14.1[illegible]	−[illegible]	[illegible]	[illegible]	[illegible]	42.[illegible]
Scouring Pads	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Metal Pads with Soap	17.95	62.06	57.98	7.06	9.41	11.54	6	18.6
All Other Pads	11.80	40.78	37.60	[illegible]	10.14	12.44	12	30.5
Steel Wool Bulk	1.54	5.32	7.83	−32.05	1.13	[illegible]	1	26.1
All Other Cleaning Implements	2.56	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	41.[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

% of total HHS volume . . . 5.46%

"The consumer has gotten better performance out of aerosols. They have better cleaning agents in them." Easy-Off continues to dominate the aerosol market, but, says Smith, Dow is responsible for 57% of the growth in the category.

Many of the subcategories that recorded sales rises have one thing in common—they consist of products people use to save money. For instance, spot removers and cleaning fluids rose 38.30%, indicating that consumers are trying to save stained clothing and avoid trips to the dry cleaners. Fabric dye sales soared, probably for similar reasons. Shoe-care items also did well.

Economic trends will continue to affect sales as consumers search for ways to stretch their dollars. Where they draw the line between cost and value will tell the household supplies story in 1981. ☐

Misc. Household Supplies: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Candles & Holders	7.97	$ [illegible]	$ [illegible]	[illegible]	[illegible]	$ 14.[illegible]	[illegible]	[illegible]
Tapers	2.49	[illegible]	7.83	[illegible]	4.18	4.91	[illegible]	55.4
All Other Candles	[illegible]	[illegible]	20.37	[illegible]	[illegible]	[illegible]	17	51.2
Canning Needs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Insecticides, Pesticides, Repellents	[illegible]	[illegible]	[illegible]	11.44	[illegible]	[illegible]	[illegible]	[illegible]
Moth Items	[illegible]	[illegible]	14.10	[illegible]	[illegible]	[illegible]	[illegible]	46.2
Chemicals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	31.6
Devices	[illegible]	[illegible]	30.17	[illegible]	[illegible]	[illegible]	11	[illegible]
Matches	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Toothpicks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rock & Ice Cream Salt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

% of total HHS volume . . . 5.62%

Lower Prices Overall.

Hosiery lends strongest sales support

If you think the supermarkets' soft goods category is a lightweight, you're right. It has promise—hosiery alone rang up $467.62 million last year—but it really hasn't delivered. Most subcategory sales fell far short of their projected potential.

Soft goods' 1980 performance lacked punch. With a 0.53% share of total store volume, it claimed $935.31 million.

The main reason it hasn't delivered is that it really hasn't had a square fight. Traditionally a favorite of mass marketers, soft goods is a misunderstood newcomer in the supermarket arena. Few supers carry soft goods, apart from hosiery, and of those that do only a handful do an adequate job.

"Manufacturers and retailers lack the experience to knowledgeably merchandise soft goods in supermarkets," explains Tony Figaro, marketing manager for Union Underwear. As a result, out-of-stocks are frequent, selections are poor, goods are improperly displayed and consumers take their business elsewhere.

"The potential really hasn't been tapped yet," says Figaro, whose company claims more than a 50% share of the underwear market.

One-stop shoppers are always receptive to items that offer convenience and value. With varied selections, full stocking and balanced product mixes, soft goods could become a star mover.

Aggressive retailers are striving to better merchandise items like shoes, dresses and gloves. They're experimenting with cross-merchandising, strengthening product selections and trying to maintain order in the aisles. Superstores that have given soft goods ample space and have taken the time to properly merchandise and promote items are highly successful with sales.

Proper merchandising and promotion have given pantyhose a controlling share

Some manufacturers are also taking initiative. Figaro says Union Underwear is coming out with attractive promotions, both seasonal and year-round and is experimenting with more efficient methods of distribution. "A specialty broker/service merchandiser combination will produce the highest turnover in supermarket soft goods sales," he explains. "The sections need the service merchandiser's maintenance program, and the broker has the expertise in the area of soft goods."

Figaro's plan may help reverse the 10% drop in dollar volume that men's and boys' wear suffered in supermarkets last year. Down $8.73 million to $74.06 million, underwear took a beating in both dollars and units. Although 85% of all supermarkets carry underwear, the subcategory now accounts for about 2% less of total department sales than it did a year ago.

Hosiery, or more appropriately pantyhose, walked off with 1980's soft goods sales title. Pantyhose sales soared to $420.22 million last year and accounted for almost 45% of soft goods sales in supermarkets. Supers own an impressive 30% of the total pantyhose market. Unit sales for the hosiery industry, which appears to be leveling off, dropped marginally in 1980. Picking up sales from department stores and drug stores, supermarkets won a larger share of hosiery unit sales.

Quick turns and margins averaging 40% have prompted supermarket retailers to make more room for hosiery. Superstores devote up to 24 ft. to hosiery, and many supers are moving the section in-line. In

Soft Goods: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	[illegible]	1979 Dollar Volume (Millions)	[illegible]	% of Dept. Gross Profit	[illegible]	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Hosiery	49.98	[illegible]	$416.43	[illegible]	51.27	[illegible]	149	40.5
Pantyhose	44.91	[illegible]	357.91	[illegible]	45.90	[illegible]	113	40.3
Stockings	5.07	[illegible]	58.52	[illegible]	5.37	[illegible]	36	41.8
Men's & Boys' Wear	7.92	[illegible]	82.79	[illegible]	8.19	[illegible]	50	40.8
Underwear	5.08	[illegible]	53.02	[illegible]	5.22	[illegible]	32	40.6
All Other Men's & Boys' Wear	2.84	[illegible]	29.77	[illegible]	2.97	[illegible]	18	41.2
Ladies' & Girls' Wear	0.85	[illegible]	7.25	[illegible]	0.82	[illegible]	3	37.9
Infants' wear	1.71	[illegible]	7.82	[illegible]	1.77	[illegible]	10	40.8
Millinery	0.38	[illegible]	6.27	[illegible]	0.38	[illegible]	4	38.6
Gloves & Mittens [Not Rubber]	2.46	[illegible]	28.37	[illegible]	2.70	[illegible]	14	44.1
Socks	7.56	[illegible]	45.67	[illegible]	7.49	[illegible]	53	38.9
Shoes	1.60	[illegible]	15.67	[illegible]	1.56	[illegible]	3	41.2
All Other Apparel	0.40	[illegible]	4.70	[illegible]	0.39	[illegible]	1	38.7
Towels & Washcloths	11.93	[illegible]	98.70	[illegible]	10.86	[illegible]	43	35.9
Towels	7.77	[illegible]	64.23	[illegible]	6.58	[illegible]	22	33.4
Washcloths	1.88	[illegible]	15.67	[illegible]	1.77	[illegible]	5	37.0
Dishcloths	2.28	[illegible]	18.80	[illegible]	2.51	[illegible]	16	43.5
Pot Holders	1.52	[illegible]	16.67	[illegible]	1.66	[illegible]	14	43.2
Tablecloths & Placemats	1.90	[illegible]	18.68	[illegible]	1.93	[illegible]	16	40.1
Bed Coverings	2.00	[illegible]	17.10	[illegible]	1.55	[illegible]	10	30.7
Sheets & Pillowcases	0.29	[illegible]	2.10	[illegible]	0.15	[illegible]	2	21.3
All Other Bedding	1.71	[illegible]	15.00	[illegible]	1.40	[illegible]	8	32.3
All Other Soft Goods For The Home	2.66	[illegible]	29.77	[illegible]	2.48	[illegible]	13	38.8
Yarn	5.76	[illegible]	56.53	[illegible]	5.28	[illegible]	28	36.5
All Other Needlecraft Items	1.52	[illegible]	19.87	[illegible]	1.82	[illegible]	36	42.2
Total	100.00	[illegible]	$800.85	[illegible]	100.00	[illegible]	445	39.4

% of total store volume . . . 0.53%

the process, they've expanded the section and given hosiery a permanent home.

Nonsupport pantyhose held the lead in hosiery sales, but control top types are gaining fast. According to a spokesman for L'eggs, control-top pantyhose trimmed up about 11% more tummies, hips and thighs in 1980 than in 1979, and sales have been rising steadily for the past two years. Support stockings rose 24% in the past year.

"The steady growth in control top sales can be directly linked to women buyers who'll pay that extra bit for stomach control," explains a spokesman for L'eggs.

Sexy high-fashion pantyhose and heavy winter stockings may catch on in the 80's as time-restricted working women drop them into shopping carts along with produce and H&BA purchases.

Ladies' and girls' apparel is making slow progress in supermarkets. Last year the subcategory racked up about $8 million and represented less than 1% of soft goods sales.

The consensus among retailers and manufacturers is that it "could do better." However, what's wrong with ladies' apparel is what's wrong with the entire category of soft goods—no one knows how to merchandise apparel properly to make it a lucrative investment. Case in point: In one Los Angeles supermarket a rack full of blouses, skirts and sweaters hung between two frozen food freezers!

"With women's and girls' apparel, you've either got to make a solid commitment or get out," says Kathy Berkenpas, buyer for Spartan Stores. "There's a lot of potential in clothing, but you've got to have the proper balance of price, value and style to make it sell."

Consumers will pay a little extra for quality, but they'll reject outdated fashions. Says Berkenpas, "Supermarket styles may be one year behind the trends happening in department stores."

Blue jeans may become the trailblazer for apparel in supers. A spokesman for Malone and Hyde reports that their Memphis Division is "doing a real good job" distributing jeans for tots and teens. One manufacturer's display has a pigeonholed front that allows consumers to select and examine the merchandise and replace it with ease if need be.

Infants' wear: When asked why this subcategory shot up 104%, a spokesman for Super Valu, Fargo division, replied, "Because there were more babies."

He wasn't kidding, either. Infants' wear more than doubled its dollar volume in 1980 to a whopping $16 million; its percentage of department sales rose in proportion.

"We have trouble keeping baby

goods in stock," says one buyer for wholesaler Neely Harrell. "Pegboard and boxed goods are extremely popular. We're upgrading the baby section and are including many more items than before." Impulse gift buyers and busy moms give infants' wear in supers thumbs up.

Supers handled a firm $23 million of the $80 million glove business last year, and with average gross margins of 44%, the profit potential is enormous.

Wells Lamont reports vinyl ski gloves for teens and children were the top sellers this year along with work gloves, a standard in supermarkets.

Socks and shoes: Sock sales hopped 55% in 1980, bringing the total dollar volume to approximately $71 million. They now account for about 2% more of soft goods department sales than they did last year.

"Jogging and outdoor activities have hiked sales in tube socks," explains a spokesman for Malone and Hyde, who claims business was "really, really good in 1980."

"There's been a top to bottom changeover in socks here," says Robert Siegel;, vice president, Fruit of the Loom. "We've introduced more attractive packaging, designed a sock calendar that shows styles that move well during certain months and offer reduced rates on seasonal best sellers. We're also selling more socks!"

"Shoes are the black sheep of the nonfoods industry," says Mickey Weiner, vice president and sales manager for the Robert Shoe Company. They dropped almost 11% in 1980, continuing a downward trend that's been in progress for several years. "Shoes are a perfect example of a mismerchandised, misunderstood soft goods item," continues Weiner. "Careless merchandising by retailers and aggressive hustling by discount shoe outlets like Fayva's are walking shoe sales right out the supermarket door."

"Color and sizes are very important to the supermarket shopper," notes Weiner. "Supermarket buyers are more interested in stockkeeping units and ticketing for position than they are in crucial factors like merchandise maintenance and fashionable styles. Some shoes are held over from one year to the next, and often racks go unattended for weeks. This hurts sales."

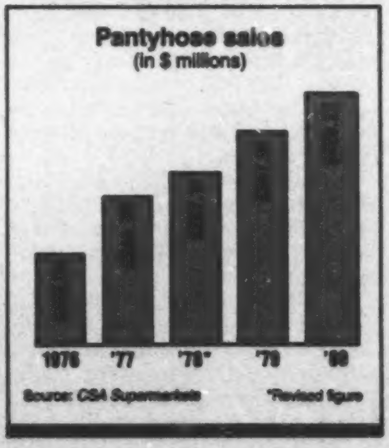
Weiner predicts 1981 will be a banner year for canvas shoes, which along with sneakers are the biggest seller in supermarkets.

Towels and washcloths soaked up $111.59 million and added 5% unit sales as retailers gave more space and variety to the section. Apricot was the big color in bathroom towels, notes one Midwestern distributor. Average margins were 35%.

"Prints were more popular than plaids and stripes in tablecloths and placemats this year," says Spartan Stores' Kathy Berkenpas.

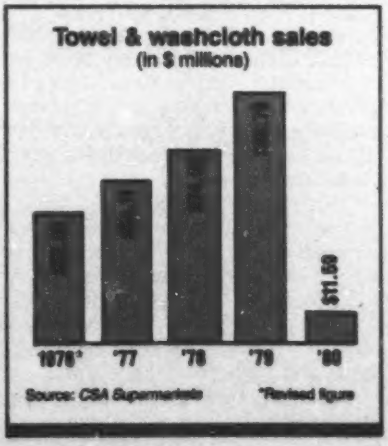
"It's important to keep prices down, but consumers are willing to pay a few dollars more for quality. A lot more stores are picking up the category. If they come up with a good balance of retail price and quality, tablecloths and placemats offer high profits."

Supermarket yarn sales took a dip in units and dollar volume as specialty shop competition lured customers looking for new colors and products. The decrease is a progression that is expected to continue. At $37.23 million last year's yarn sales were down almost twice the 1979 total of $59.53 million. With gross margins averaging 36%, supermarkets may be bidding a sheepish farewell to this once fine subcategory. ☐



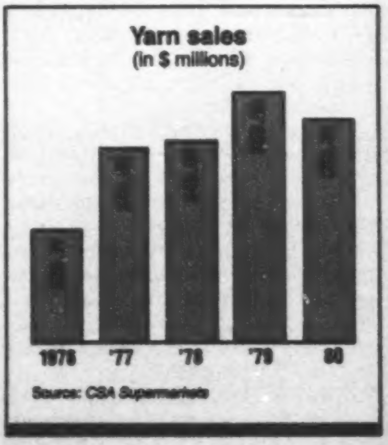
Source: CSA Supermarkets

*Revised figure



Source: CSA Supermarkets

*Revised figure



Source: CSA Supermarkets

Value takes lead in paper chase

Shoppers trying to control that final figure rung up at the checkout seem to be starting in the paper goods department. Increasing numbers of cost-conscious consumers are turning to generics, value lines and multipacks when buying toilet tissue, paper towels, facial tissue and napkins.

Price rises caused by increases in freight and energy costs may have influenced some shoppers to try generic items, which can undercut branded products by as much as 40%. According to Selling Areas Marketing Inc. (SAMI) figures, which use a constant base, generic paper towels climbed 5.5 share points to 16.9%, toilet tissue 3.1 points to 11.7% and paper napkins 2.8 points to 15.5% last year. Of course, the question is whether consumers who have tried the generic products will continue to buy them, or if the flurry of no-name sales will die out.

Major manufacturers, however, are not ignoring the danger signals. A variety of tactics have surfaced as companies like Procter & Gamble, Scott Paper, Kimberly-Clark, American Can and Georgia-Pacific move to maintain their respective shares of the consumer dollar.

One major response from the brands is the value line. Consisting of products priced substantially below the manufacturers' premium labels, these unadvertised lines are designed to appeal to shoppers who are more interested in price than in obtaining the highest quality—in other words, those who might be tempted to turn to generics.

Shoppers "trade down" as they cut back on spending in the paper goods aisle

Examples of these lines are Kimberly-Clark's Hi-Dri and, the most recent entry, P&G's Summit.

Another tactic is emphasizing medium-priced products. Scott is doing this with television commercials showing a family concerned about their grocery bill using Scott products because they're economical and of good quality.

A related effort is multipacks, which enable shoppers to save money by buying in large quantities. "There's a trend to big packs," confirms a spokesman for Georgia-Pacific. "The 8-pack of Coronet bathroom tissue is our biggest seller in the line."

Quality emphasis: Meanwhile, manufacturers are also shoring up their top-of-the-line products by making improvements and introducing new high-quality items. P&G's Charmin, the market leader, is currently marked "new and improved." In paper towels, American Can's Bolt, which is said to be washable and reusable, is continuing its rollout across the nation, while Job Squad, Scott's super towel, is now distributed in 16% of the country.

It's hard to tell whether any or all of these moves will stem the generic tide. Says the Georgia-Pacific spokesman, "Right now, people are willing to settle for a lesser-quality product. But I think it will cycle

Paper/Plastic Film/Foil: 1980 Performance—$1 Million Supermarkets

	Sales				Profit		Assortment	Margin
Category	% of Dept. Sales	1980 Dollar Volume (Millions)	1979 Dollar Volume (Millions)	% of Diff.	% of Dept. Gross Profit	Gross Profit Dollars (Millions)	Items/ Brands/ Sizes at Whse.	Avg. Gross Margin (% of Retail)
Freezer Items	0.51	$ 24.8[illegible]	$ 20.37	21.8[illegible]	0.94	$ 5.43	11	38.0
Lunch & Sandwich-Size Bags	2.37	115.24	101.83	13.17	2.96	28.47	9	25.6
Plastic	1.75	85.16	70.50	20.71	2.18	21.79	7	25.6
Paper	0.62	30.14	31.33	- 3.7[illegible]	0.77	7.69	2	25.5
All Other Size Bags	13.84	657.7[illegible]	576.51	14.1[illegible]	16.86	[illegible]	50	25.6
Paper	0.22	10.64	9.40	13.1[illegible]	0.42	[illegible].21	3	39.6
Plastic	13.32	[illegible]	567.11	[illegible]	16.44	164.37	47	25.4
Roasting Bags & Wrap	0.22	10.[illegible]	6.27	[illegible]	0.24	2.44	2	22.9
Plastic Wrap	1.72	[illegible]	68.93	[illegible]	2.07	[illegible]	7	24.8
Aluminum Foil Wrap	5.84	[illegible]	250.66	[illegible]	6.16	[illegible]	11	18.2
Wax Paper	0.58	[illegible]	25.07	[illegible]	0.69	[illegible]	1	20.8
Facial Tissue	10.66	[illegible]	429.15	[illegible]	8.70	[illegible]	21	16.8
Toilet Tissue	25.68	[illegible]	1,116.90	11.7[illegible]	20.90	[illegible]	28	16.8
Paper Towels	20.44	[illegible]	869.47	[illegible]	18.17	[illegible]	27	18.3
Wet Napkins	0.47	[illegible]	20.37	[illegible]	0.61	[illegible]	4	26.4
Napkins	6.70	[illegible]	290.46	[illegible]	6.86	[illegible]	22	26.8
Paper Table Accessories	0.15	[illegible]	3.13	[illegible]	0.25	[illegible]	7	35.5
Plates & Bowls	5.73	[illegible]	217.76	27.[illegible]	7.86	[illegible]	36	28.2
Cups & Refills & Plastic Glasses	4.53	[illegible]	107.39	[illegible]	6.40	[illegible]	31	29.1
All Other Paper & Household Wrap Supplies	0.77	37.2[illegible]	36.03	[illegible]	1.37	13.7[illegible]	11	36.8
Total	100.00	[illegible]	$4,299.39	[illegible]	100.00	[illegible]	277	20.6

% of total store volume . . . 2.72%

out." If not, the rebellion in the paper aisle may become a full-fledged revolution.

Plastic bags: Another category affected by the trading-down syndrome is plastic bags. A spokesman for Union Carbide, makers of industry-leader Glad Bags, says, "Generics are definitely a factor." But, he claims, "They're having a greater impact on private label than on the brands."

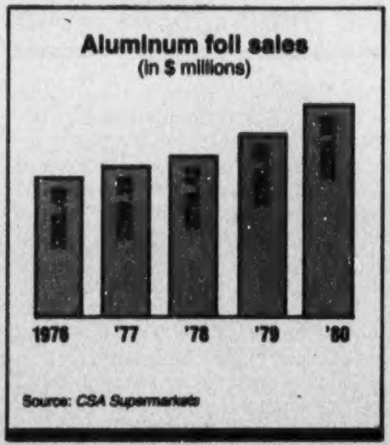
Still, other studies dispute this view. Union Carbide certainly isn't ignoring generics in its advertising campaigns, either. Both sandwich bag and trash bag television ads show consumers having difficulties with less-expensive but inferior bags, dubbed "bargain brands."

Further combating the no-frills trash bags is the new Glad 3-ply bag. "It's a viable concept," says the spokesman. "We use different types of resins to get a stronger bag. For instance, one is more puncture-proof, another more tear-resistant. Together, they're the best of two or three worlds."

Generics may have hurt branded plastic food bags to some extent, but the category as a whole has actually been helped by inflation. Peter Wade of Dow Chemical, makers of Zip-Loc Bags, points out, "The category is almost countercyclical. As the economy starts to get tight, people change their habits. They buy food in bulk, start home gardens, take sandwiches to work, are more conscious of leftovers." All these penny-pinching trends work to the advantage of plastic food bag manufacturers.

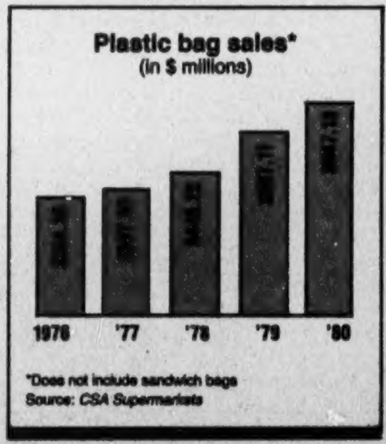
Lunch- and sandwich-size bags scored dollar volume rises of 20.71% last year, which industry observers say represent about 8% in price and 12% in actual volume increases. Estimates are that this year should produce virtually identical figures.

Plastic food storage bags, the



Aluminum foil sales
(in $ millions)

Source: *CSA Supermarkets*



Plastic bag sales*
(in $ millions)

*Does not include sandwich bags
Source: *CSA Supermarkets*

largest division of the food bag field, bringing in $105-$106 million. Sandwich bags do almost as well, at $95-$96 million.

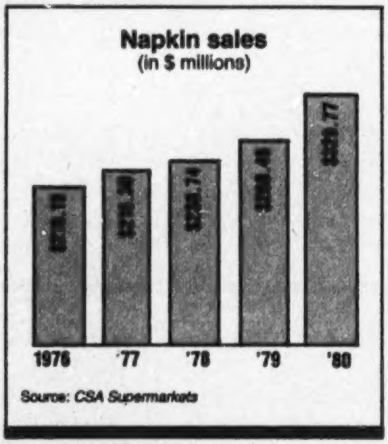
According to Wade, freezer bags are the fastest-growing subcategory. "They were up 90% in dollars last year," he says. He credits the growth to Zip-Loc's introduction of the first nationally advertised line of freezer bags, which is now distributed across the country.

Roasting bags, after several sickly years, rebounded in 1980 to a healthy $10.64 million in volume. A spokesman for Reynolds says the sales increase came about because "the consumer is a busy gal—if she can have a dinner that's pretty well prepared and she doesn't have to clean a pot, she likes it. It's a quick way to cook."

Microwave effects: Additionally, oven bags are popular with owners of microwave ovens. Sales of microwave ovens soared 39% in 1980, according to *The Wall Street Journal*, and the proliferation of the item is affecting several types of products.

For example, plastic wrap and that old reliable, wax paper, are frequently used to secure food for cooking in the ovens. Many conventional pots and pans can't be used in microwaves, and using disposable wrap eliminates another dishwashing chore as well.

Some companies are introducing containers designed specifically for use in microwave ovens. Dur-Able, for one, is fielding polyester-coated paper containers for the new ovens, although they can also be used in conventional ovens up to 425 degrees.



Source: *CSA Supermarkets*

Paper table accessories, although still a small supermarket category, showed vigorous growth this year. Attracted by impressive gross margins, many supermarketers are stealing sales from other outlets by expanding product selection and increasing promotion.

Wet napkins continued their growth trend, indicating that the items are not merely a fad. Indeed, Cederroth A.B. of Sweden is expanding its wet toilet paper, presently sold in 49 countries, into the United States and Canada this year. The product, which is saturated with a cleanser and emollients, may have a doubtful future; both P&G and American Can have tested similar products without success.

Department sales rose 15.41%, but an important question is what's happening to margins. Although overall gross margin held steady from last year, some products dropped slightly. Several brand manufacturers argue that if the trend to generics continues, margins will dip even further without sales volume rising enough to offset the change. This year may well tell the story. ☐

Unit Movement

The following chart shows each paper/plastic film/foil category's share of total unit movement, measured in units per store per week.

Category	[illegible] Units Per Store Per Week	Share of Total Unit Movement (%)
Freezer Items	18	0.43
Lunch & Sandwich Size Bags	113	2.72
Plastic	81	1.95
Paper	32	0.77
All Other Size Bags	324	7.80
Plastic	292	7.03
Paper	32	0.77
Roasting Bags & Wrap	8	0.19
Plastic Wrap	59	1.42
Aluminum Foil Wrap	197	4.74
Wax Paper	29	0.70
Facial Tissue	615	14.80
Toilet Tissue	1,071	25.76
Paper Towels	1,000	24.06
Wet Napkins	11	0.26
Napkins	[illegible]	7.92
Paper Table Accessories	[illegible]	0.10
Plates & Bowls	[illegible]	4.14
Cups & Refills & Plastic Glasses	[illegible]	3.90
All Other Paper & Household Wrap Supplies	[illegible]	1.06
Total	[illegible]	100.00

A&P still fighting an uphill battle

There was little joy in The Great Atlantic & Pacific Tea Company headquarters when first quarter results were tallied this year. Although its net loss was less than comparable 1980 figures, the negative figure was still a whopping $10,377,000.

James Wood, A&P's chairman and ceo, pointed out that its problems were "aggravated by the outbreak of price wars in Philadelphia, Baltimore and Washington, D.C., during the period." Wood also said that the loss was "at the high end of our forecast range."

On a more positive note, A&P is still moving toward a definitive agreement to purchase Niagara Frontier Services Inc. Acquisition of the Buffalo-based company will bring A&P back into a market it had quit some years ago.

Tough market hurts SGC net

Continuing price wars in most of its trading area sent Supermarket General Corp.'s Pathmark profits spiraling downward in the first quarter of 1981. Net earnings dipped 55% from the previous year, and chain officials say they see little reason to believe the hot market will cool down.

Sales, however, stayed healthy, rising 15.4% over 1980's figures. The Woodbridge, N.J.-based chain was able to keep ahead of inflation despite two short-lived strikes that affected some of its stores.

Pathmark looked beyond today's rough times by opening three new Super Centers and finishing three major renovations. Supermarkets General figures include results for Rickel Home Centers and store divisions, although Pathmark generates approximately 85%-90% of both volume and profits.

Albertson's sales, earnings post gains

The opening of the chain's 400th store highlighted an outstanding first quarter for Albertson's. Sales outran inflation with a 14% increase over 1980 figures, and earnings zoomed an impressive 15%.

Warren E. McCain

Warren E. McCain, chairman, president and ceo of the Boise, Idaho-based chain, said that although cost of sales, as a per cent to sales, increased, the company reduced operating and administrative expenses. Other income also rose, due to a reduction on the loss on the disposal of fixed assets.

Aside from store No. 400 in Walnut, Calif., one combo, two superstores and two conventional units bowed this quarter; one store was closed.

Foodarama moves full speed ahead

Foodarama Supermarkets, which floundered in 1980, managed to get back on course in the first half of 1981. The 37-store chain, part of the ShopRite cooperative, saw a slight sales drop from $212,624,000 to $208,493,000. However, four fewer stores were in operation.

The company managed to pick up speed in the net income area, moving into the black with a gain of $421,000. At the half-year point in 1980, the company had reported a loss of $1,204,000.

Foodarama's difficulties stemmed from overextending itself by scooping up six attractive former Food Fair units. When financing plans failed to materialize, the chain was forced to recast its bank debt and dispose of six stores.

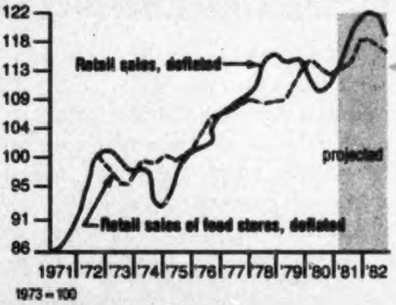
Once these moves relieved the pressure on the Freehold, N.J.-based company, executives were free to embark on an ambitious plan to keep profits in the plus column. The company closed stores that were not pulling their weight, reorganized and pruned management and designed new programs for the store level.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
Village	9 mos.	4/18	$ 195,828,000	+ 9	$ 1,102,000	+849	0.56
Foodarama	6 mos.	5/2	208,493,000	− 2	421,000	+125	0.20
Albertson's	3 mos.	4/30	813,840,000	+14	10,222,000	+ 15	1.25
A&P	3 mos.	5/30	1,701,621,000	+ 3	(10,377,000)	+ 30	—
Penn Traffic	3 mos.	5/2	110,500,000	+12	1,467,000	− 18	1.32
Pueblo Int'l.	3 mos.	5/2	109,042,000	+25	805,000	+ 32	0.74
Stop & Shop	3 mos.	5/23	622,676,000	+10	(522,000)	+ 82	—
SGC	3 mos.	5/2	705,100,000	+15	1,980,000	− 55	0.28

Figures in parentheses denote a loss. Source: CSA Research

Project 'real' gain of 3% in Sept.



Food stores

Sales change by quarter

	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81* 1Q %	'81* 2Q %	'81* 3Q %	'81* 4Q %	12-month % change '79 %	'80 %	'81* %
Sales include inflation	11.0	10.3	11.2	10.6	10.4	10.7	8.3	8.0	12	11	9
Real sales (deflated)	5.8	4.9	2.0	− 0.6	− 1.2	− 0.1	2.0	5.0	2	3	1

Base = March 1981 sales
*Projected

After nearly six months of spotty, mostly negative sales, United States grocers seem to have found the trail to improved volume again. Most credit strong spring/summer promotional efforts for reversing the trend that began slicing supermarket gains in mid-1980.

Second-quarter food volume is now expected to be at least even with last year same-time results. But more important, the L/F forecast model detects a third-quarter increase for food operators of at least 2%.

After a surprisingly brisk second quarter, most other retailers, on the other hand, seem to be heading for a "decompression" period in the next few months.

A few (like food/supermarket operators) are expected to keep sales jumping ahead through year-end.

Apparel specialists, for instance, are heading for what looks like a record-setting third quarter, with August/September sales gains pegged in the 8%-10% range.

Department stores are also rolling ahead, with forecast gains at 7%-9% over the next two months.

Others, like the drug store chains which set the general pace earlier in the year, seem to be tailing off. And home center operators, as expected, are beginning to slide, after posting huge increases in the first two periods.

The L/F Econocycle projection calls for a steady pickup of sales for the supermarket group from August through October. The model now sees 3% and 5%-plus gains for September and October respectively.

Overall, retailing is expected to post a 7%-plus gain next month and again in October, but general retailing's trend line starts to soften in late '81 and early '82.

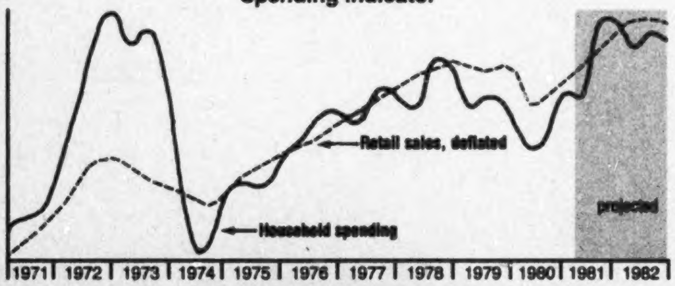
About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

Spending Indicator



Sales/include inflation % change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	− 8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	− 9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.3	− 1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q	10.0	10.4	6.8	8.5	10 I	8.3	9.7	7.9	8.4
	2Q*	13.8	10.7	10.5	19.8	9 3	13.9	11.6	11.5	12.1
	3Q*	12.1	8.3	10.8	15.5	8.7	12.3	12.4	10.0	11.0
	4Q*	11.6	8.0	8.9	5.4	5.8	12.0	12.4	6.4	8.9
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	7.0	9.0	10.0
	1980	7.0	11.0	9.0	− 3.0	12.0	5.0	5.0	6.0	5.0
	1981*	10.0	9.0	9.0	12.0	8.0	12.0	12.0	9.0	10.0

Real sales (deflated) % change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1980	1Q	− 1.2	5.8	− 0.0	− 2.6	3.8	4.9	− 1.4	1.9	1.8
	2Q	− 5.0	4.9	− 0.1	−17.5	2.0	− 3.4	0.5	− 2.4	− 2.0
	3Q	− 4.2	2.0	− 0.9	−18.5	0.5	− 5.8	− 0.2	− 3.4	− 3.3
	4Q	− 2.9	− 0.6	− 1.8	−10.4	3.9	− 1.1	1.5	− 2.0	− 1.1
1981	1Q	0.8	− 1.2	− 3.2	− 0.6	0.2	2.4	6.2	1.1	2.5
	2Q*	6.5	− 0.1	0.6	12.5	1.3	9.0	8.2	5.7	7.0
	3Q*	6.6	2.0	1.3	8.6	2.2	7.3	9.7	4.9	6.4
	4Q*	7.6	5.0	0.2	− 1.4	0.7	5.5	10.5	1.1	4.0
% change 12 mos.	1979	1.0	2.0	2.0	4.0	4.0	9.0	6.0	3.0	4.0
	1980	− 3.0	3.0	− 1.0	−12.4	3.0	− 1.0	1.0	− 2.0	− 1.0
	1981*	4.0	− 1.0	− 1.0	4.0	1.0	6.0	8.0	3.0	5.0

Base = March 1981 sales
*Projected

Why Twin City shoppers are so independent

Vitamins: a potent sales weapon

Chain Store Age Supermarkets

THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES

August 1981

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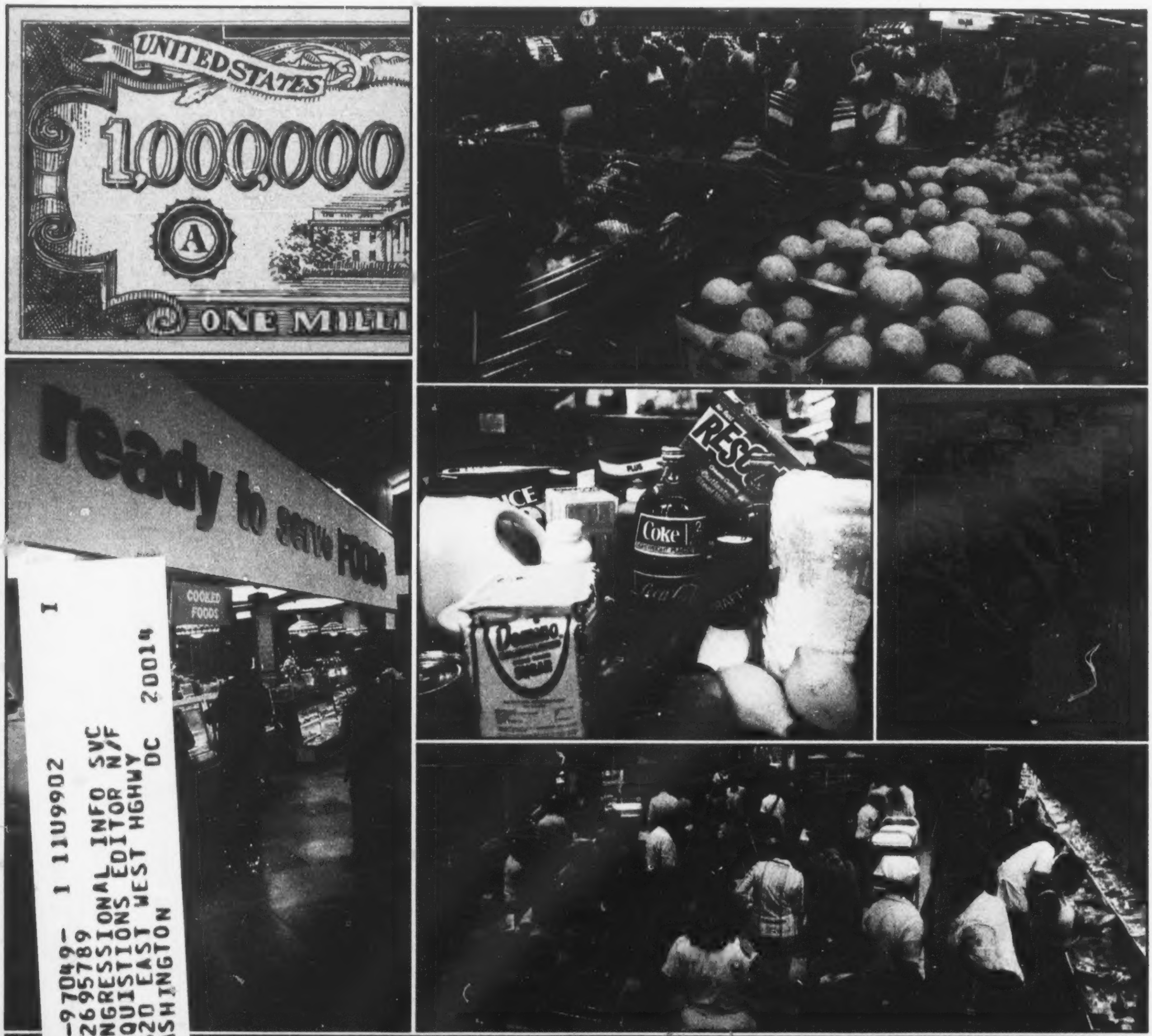
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Superstores' new frontier:

THE MILLION-DOLLAR BABIES

TWENTY-EIGHT DOLLARS A YEAR (U.S.A.)

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Chain Store Age
Supermarkets

August 1981

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Stop & Shop faces lettuce head-on

Stop & Shop, under increasing pressure from the United Farm Workers to stop carrying Bruce Church Inc.'s Red Coach lettuce, is bending over backward to clarify its position.

The Boston-based chain is displaying a yard-long sign over lettuce displays, emphasizing that the consumer has the choice of which brand to buy—Red Coach or an alternative. It also has information sheets next to the lettuce, explaining Stop & Shop's position as well as the problems between the UFW and Bruce Church.

In part, it states that "The Stop & Shop Company *believes* that we should not dictate labor contract terms to our suppliers. Nor do we believe that we should make a potential choice on behalf of our customers."

Finally, the sheet advises shoppers who want more information to ask their store manager for a position paper. The multipage paper includes a statement by Stop & Shop Cos. president and ceo, Avram J. Goldberg.

Chains spotlight recycled packaging

Two southern California chains have become the latest of a growing number of supermarket operators to recognize the importance many shoppers give to conservation. Vons and Big Bear have joined outfits like Jewel, Kroger, A&P, Albertson's, Publix and Red Owl as participants in the "Environmental Shopping" program.

Sponsored by the Recycled Paperboard division of the American Paper Institute, the award-winning plan involves displaying specially designed shelf labels and posters that call attention to products packed in cartons made from recycled paper. The labels feature the recycled symbol and proclaim: "This Product Packaged in Recycled Paperboard."

"We are always looking for ways of demonstrating our concern for improving the quality of life in the community," says Ken Olson, president of Vons.

Carryovers build all-year volume

Smith's Food & Drug in Boise, Idaho, promotes wicker furniture once a year in the nonfoods section, then stocks carryover in the plant section adjoining produce.

Although the store adds regular staple items to the plant section, promotional carryover accounts for about 80% of total inventory.

Wicker, a hot category in the West, offers margins of 40%-60% and a wide variety of items, ranging from plant holders at $1.99 to chairs ($60-$70), and book shelves ($79-$99).

Shoppers seek aid from supermarkets

Although the public remains baffled by the turbulent economy, an FMI poll conducted by Louis Harris & Associates indicates that they have positive feelings toward the supermarket industry. Supers rate far down the list of institutions that consumers are blaming for high prices and are widely perceived as an ally in the fight to stretch budgets.

Approximately 72% of the sample believes prices are increasing faster than they did a year ago. This is actually an improvement over the finding of the March 1980 poll, when 80% expressed this opinion. Roughly 68% admit to finding it harder than ever to make ends meet.

The most frequently used method of economizing is to stock up on good specials, a tactic 79% of shoppers favor. Other frequently used methods are heavier use of cents-off coupons (76%) and buying store brands and less expensive labels (71%).

As might be expected, the public's concern with financial matters has a great deal to do with how they choose a supermarket. According to the FMI study, the availability of specials is the most frequently mentioned reason, expressed by 39%. Other important considerations include: product variety (34%), good value (27%), absence of stale or spoiled product (26%) and good service (25%).

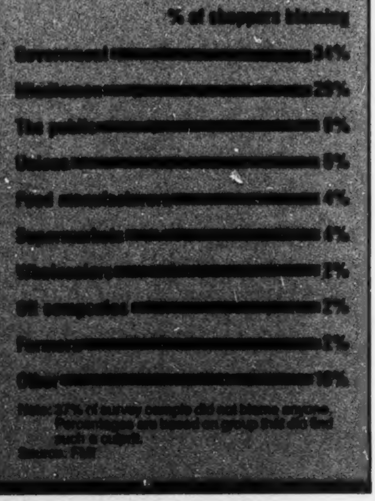
New supermarket practices drew a mixed reaction from shoppers participating in the survey. Scanning and video advertising in the checklane got the nod from 69% and 59% of the shoppers, respectively, but other changes drew some flak. The idea of changing retail prices every few days to reflect rising costs got a negative reaction from 74%, advertising risky or unsafe products received a thumbs down from 69% and a switch to a no frills format featuring fewer items received a "no confidence" vote from 58%.

Consumers are more optimistic about economy

Economy will:	Jan. '81	March '81
Improve	[illegible]	[illegible]
Get worse	[illegible]	[illegible]
Remain about the same	[illegible]	[illegible]
Not sure	[illegible]	[illegible]

Source: FMI

Government gets blame for high food prices



Note: 27% of survey sample did not blame anyone. Percentages are based on group that did find such a culprit.
Source: FMI

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ld days are gone

Once upon a time Americans rode in big fast cars and built supermarkets that consumed energy like a roaring V-8 engine in overdrive.

Limitless energy was part of the country's self-image through the 1950's and 1960's as supermarkets sprang up around the nation. It didn't pay to think differently. Energy was so cheap and so plentiful—with no end in sight—that it didn't make bottom-line sense to spend money to save a few paltry dollars. On the P&L sheet in those halcyon days, energy was just another small notation among many others, dwarfed by the figures inked in next to labor and rent.

The rate of energy cost increases has far outpaced sales increases

So the supermarket was designed to perform its functions with little consideration given to the energy demands required.

Refrigeration equipment is a perfect example. In the old days, retailers routinely set compressors to run full-time on a "worst case" basis. The temperature in Buffalo, N.Y., may have broken 100° only twice a summer, but the refrigerators operated at that level all year round, even through the long, cold Northeast winter.

But supermarkets and the rest of the country suffered a rude awakening following the 1973 Arab oil boycott.

In 1970 the price of a barrel of Kuwait crude oil stood at $1.50. By 1975 the price was $11.50. Last year, for that same barrel of oil, we paid $31.50.

In turn, since the early 1970's the average utility costs for the typical store has reflected this enormous price rise. Power bills have skyrocketed from $16,000 per unit to an astronomical $80,000.

In the last 10 years energy cost increases have outpaced sales gains by a margin of 225% to 125%.

These days nearly 60% of all independents and over 50% of all chains are spending more on energy than they are on rent. The only thing that costs more is labor, and if energy prices keep rising, that could soon be a close contest.

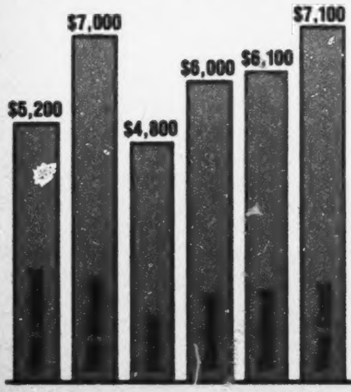
Energy expenditures once amounted to less than half of 1% of sales. In the last 10 years that figure has climbed to nearly 2% in some cases, with the average superstore spending 1.1% of total sales on energy.

In 1980 supermarkets spent a total of over $2 billion on utilities alone. And nearly 50% of all supermarkets spent at least $5,000 per month on energy—all in all, a perilous situation for an industry that survives on such a slim profit margin.

But the excesses of the past have become the new efficient machinery and sophisticated energy management systems of today. Supermarketers have begun to seriously address this problem. Retailers are exploring the use of solar energy, refrigeration companies are offering systems that respond to the nuances of the store environment and energy management programs are steadily getting a grip on the unique and complex energy requirements of the supermarket.

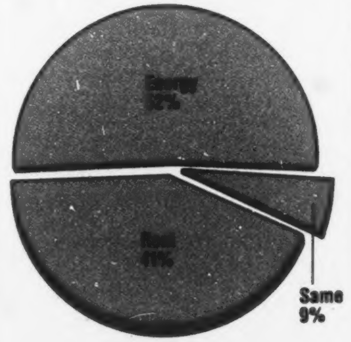
No longer the roaring V-8, the supermarket industry has become a fine-tuned, slimmed-down retailing vehicle. □

Average monthly energy expenditures highest in West



Source: CSA Research

Energy costs more than rent for most chains



Source: CSA Research

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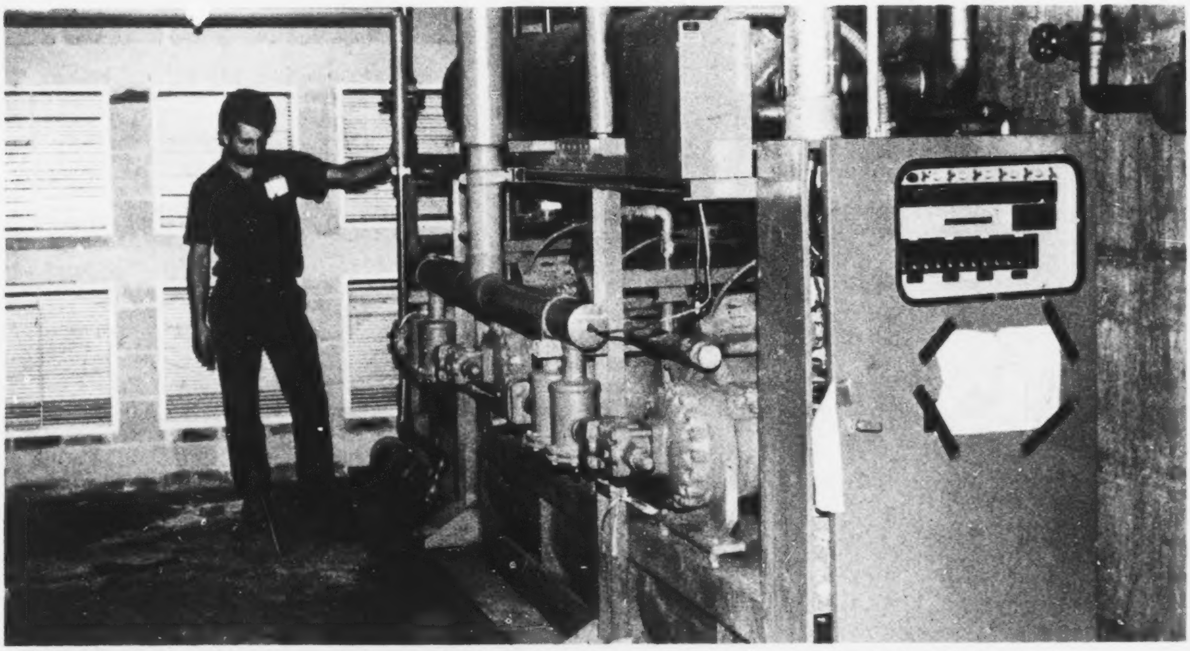
Energy control gets high priority



***Refrigeration**, the biggest energy user in the store, has been getting the most attention from retailers trying to hold costs down.*

CSA *study shows a majority of retailers have control plans for all operations areas*

At one time it was possible to lump energy and the weather into the same category. Everyone talked a lot about both, but nobody did much of anything about either. That's certainly no longer true these days, especially in the supermarket industry.

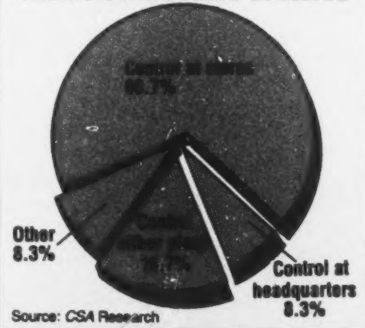
While the high—and rising—cost of energy is a major problem for most segments of American industry, no group of businessmen is more keenly aware of the problem than the nation's food retailers. Results of a *CSA* research study involving the 100 highest-volume chains suggest that supermarketers are now on the march in the battle to bring this crucial expense area under higher control.

One statistic sharply defines the magnitude of the problem: The typical supermarket company spends 1.1% of total sales on energy. That's a lot more than the average aftertax income super chains logged last year. In many cases, power looms larger on the corporate expense sheet than rent.

The number of chains that have appointed an executive to take sole charge of all energy management activities indicates their degree of concern over energy control. Nearly three out of every four chains participating in this study have designated such a manager. At about half the companies, the energy expert carries vice presidential clout.

Appointing an energy executive is a fairly recent phenomenon. Most retailers have established the post within the last three years, although a small minority claim that they've included an energy director on their management team for five years or more.

Chains control EMS at stores



Source: *CSA* Research

A majority of operations contacted by *CSA* say they are pursuing the goal of reining in energy costs in all operations areas, not just at the retail level. While over 93% do, indeed, have store energy programs, 67% also are working on improving energy utilization by their transport fleets, and about half have energy management plans under way at the warehouse.

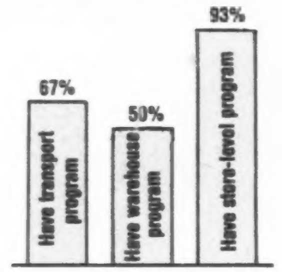
What kinds of actions are supermarketers taking?

- At the warehouse: relamping, computerized energy management systems, heat reclaim and enclosed receiving bays.
- In transport: engine governors, radial tires, more efficient routing, monitoring of delivery frequency and "full load" shipping.
- At the stores: computerized power management, energy-control committees, heat reclaim for cases, upgraded refrigerated cabinet maintenance procedures, employee incentive programs, intracompany energy bulletins and relamping with low-wattage fluorescents.

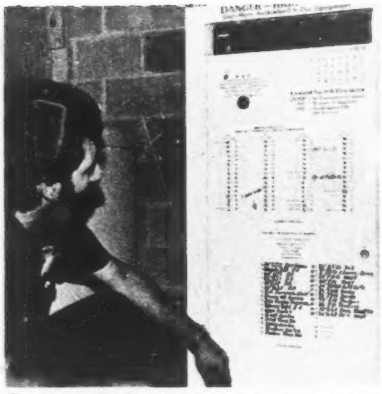
At this point, the biggest thing in energy control is the computerized energy management system (EMS). Nearly 75% of the "top 100" super chains have such devices, and it is proving to be the most potent weapon in the retailer's energy cost-cutting arsenal.

Store-level systems are the most frequent choice at the present time. Roughly two-thirds of the chains participating in the study control EMS equipment right in the supermarket in which it is installed. A little over 8% have opted for controlling EMS in all units from headquarters, while 17% use a flexible approach that permits adjustments at the store or headquarters as needed. (The remaining chains have an arrangement with outside contractors.) ☐

Most chains have energy-saving plans



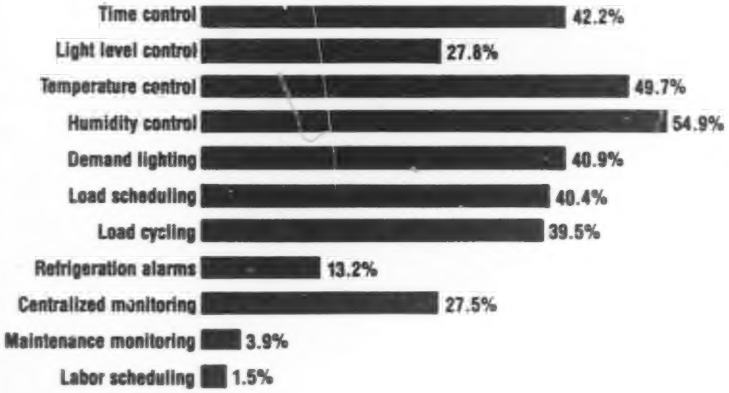
Source: *CSA Research*



***Computerized** energy managers are now standard in almost all new supermarkets.*

EMS: high-tech strategy for supers

Supermarket use of energy systems



Source: FMI

"We've been snake-bit once," says an engineer for a major supermarket chain on the subject of energy management systems, "and we're being a whole heck of a lot more cautious this time around."

Many supermarkets *were* burned in the early days of energy management systems. But as energy prices continue to climb, the systems are growing more sophisticated, and an energy program is as vital to a supermarket as a produce department.

The goal of an energy management program is straightforward. As Bruce Germinsky, who operates the Margaux system in the Northeast, explains, "You want to reduce energy consumption and demand while maintaining product integrity and customer comfort."

The systems that attempt to achieve this are complex and varied, but basically they function on three discrete levels. The retailer can buy in at the level that fits his needs.

First, there are the systems that control the timing of equipment, the temperature and humidity of the store and the amount of lights in use.

Though this is the least expensive set-up, savings can be substantial. Lights, for example, account for 23% of a store's energy consumption. These systems can be programmed to save money by cutting down on the number of lights used by the night shifts or during bright daylight hours.

At the next level, an energy management system can limit energy demand, shed energy load and cycle the use of energy throughout the store.

In recent years, the science of limiting energy demand has developed to the point where it has eliminated the old bugaboo of finding your refrigeration cost down but the ice cream melted. Just as importantly, load cycling is proving an effective cost saver because the shifting of energy consumption around the store keeps peak consumption down—the standard against which utilities set rates.

This degree of EMS sophistication also allows refrigeration systems—the single greatest energy consumer in the supermarket—to function at varying levels in relation to specific needs. This alone is estimated to save supermarkets 10%-15% in energy costs.

EMS at a glance

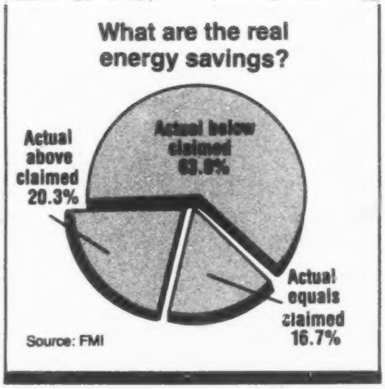
Group A systems	Time control Light level control Temperature control Humidity control
Group B systems (includes A)	Demand limiting Load shedding Load cycling
Group C systems (includes A&B)	Refrigeration alarms Centralized monitoring Maintenance monitoring Labor scheduling

Source: FMI

Finally, the most advanced systems perform all the above functions, but in addition they provide refrigeration alarms, centralized control and maintenance monitoring. In some cases, as with the IBM Series 1, labor scheduling and accounting capabilities are part of an energy management system as well.

In the last few years, the speed, accuracy and degree of control of EMS has vastly increased with the widespread application of computer technology. Manufacturers now claim they're able to save supermarkets 15%-20% right off the bat.

That sounds quite nice. But there



Source: FMI

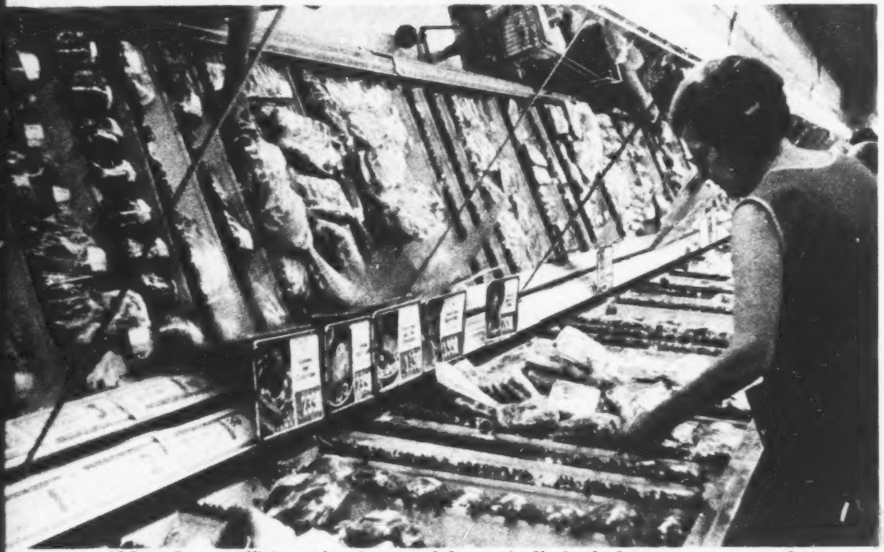
is a catch, one that has plagued the EMS industry since its inception. Controlling energy in a supermarket demands an intimate knowledge of the food retailing industry. And that's something manufacturers are still striving to attain.

"This is still an industry in its infancy," admits an engineer for Honeywell, which features its W7000 for energy management. "What makes it all so difficult, both for us and for retailers, is that there is no consensus on how things should be done."

To date, while FMI statistics reveal that 57% of supermarket companies polled have equipped at least one store with an EMS, and another 38% plan to install one within the next five years, 63% of the supermarket chains surveyed say that actual savings fell below manufacturer claims.

With energy costs expected to keep climbing, EMS manufacturers will have a continued economic impetus added to their growing knowledge of the supermarket industry to further refine and develop systems. Nevertheless, *caveat emptor.* ☐

Getting better at getting colder



Although case efficiency has improved dramatically in the last 10 years, manufacturers are promising even more with advanced microchip technology.

The battle to keep perishables and frozen foods cold is the single greatest energy challenge facing supermarket operators. Refrigeration costs amount to over 55% of the supermarket energy budget, and as retailers anxiously look to rein in those expenditures, refrigeration companies are responding by refining their equipment.

For the supermarket executive brought up in an era of energy abundance, it is no doubt a perplexing situation. All the refrigeration companies claim involvement with energy management well before prices began spiraling following the Arab oil embargo in 1973. And the equipment and systems they offer are as diverse as they are complex. Nonetheless, there are a few basic concepts that are universal, along with some noteworthy new developments.

The foundation of any sane refrigeration energy program, manufacturers and retailers agree, is a system that allows the condensing temperature to float just above the minimum required.

In the past, refrigeration systems were designed on a "worst case" basis. Now it is necessary to have equipment that fluctuates in its output to meet only the demands of the current situation. By taking this step, retailers can slash utility bills 15%-20%.

Many supermarkets made this move a few years ago. In the last two years manufacturers have made some significant new advances in this area. Chief among them is the use of microchip technology, which allows for greater monitoring and control of the needs of refrigeration equipment. Their application can result in additional savings of 5%-10%.

Defrost is another area in which progress has been made by all major manufacturers in cutting energy costs.

Back when electrical rates were around 6 cents to 8 cents per hour, electric defrost was the norm in the industry. But those rates have practically doubled, and the refrigeration industry has turned with success to another alternative: air defrost.

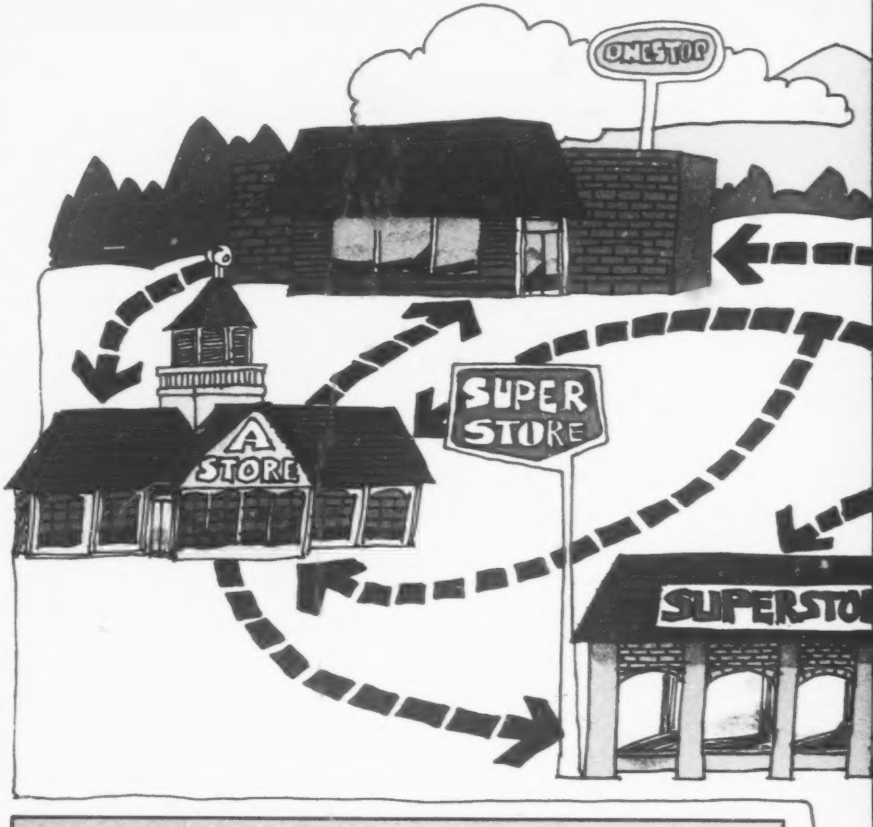
"We didn't invent the idea," says Peter Houghten of Warren/Sherer, "Nature used it to melt the glaciers. We've just perfected it a little."

Quite simply, the refrigeration system is turned off, and the flow of air is reversed. But as Fayez Ibrahim, vice president of research and development for Tyler, explains, "This technology is still in its infancy." He calls air defrosts "the most significant recent development" and adds that while air defrost savings are substantial, it's too soon to say exactly how much energy it saves.

In terms of the cases themselves, one trend is quite clear: Supermarkets are moving away from open multideck cases. For lower-volume retailers, the choice in cases is turning toward glass-door models. On the positive side, these cases efficiently keep cold air in. However, they require additional expenditures for lighting and defrosting, and if opened frequently they become energy gobblers.

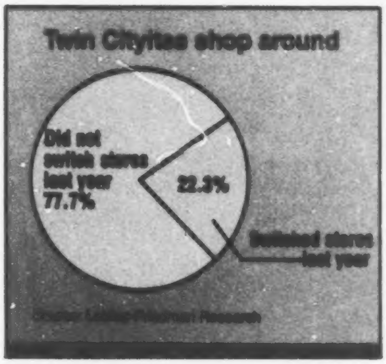
If there's a consensus among refrigeration manufacturers and retailers, it's that there's no one single system or approach which fits every situation. All advise an in-depth analysis of store needs and how they apply to the equipment and programs that are available. ☐

CSA Survey: Twin Cities keep



Ever wonder what people do in the twin cities of Minneapolis and St. Paul, Minn., during those long, cold winters for which the region is justly famous? To judge by the results of the latest installment of the *Chain Store Age Supermarkets* Consumer Attitude Study, one of the subjects most on the minds of residents of this 10-county area is which supermarket is the best place to do the bulk of the family food marketing.

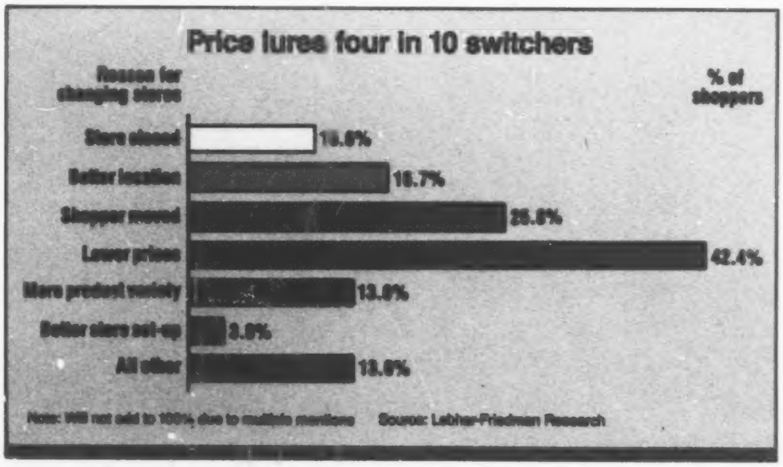
In this exclusive *CSA* research project, Minneapolis-St. Paul fully lives up to its reputation as one of the most volatile market areas in the country. More than one out of every five shoppers, 22.3% of the total, has chosen a new favorite supermarket within the last 12 months. What makes this fact even more remarkable is that Lebhar-Friedman Research completed its field work shortly *before* the 24-unit Penny's chain disbanded.



Source: Lebhar-Friedman Research

The retailers in the Twin Cities have long waged a hard-fought battle for market share. Super Valu displaced Country Club as the share leader about two years ago, and the former volume champion must now stave off a fresh challenge from Red Owl, itself once No. 1 in the Twin Cities as recently as the early 1970's.

The obvious propensity of shoppers to forsake former favorite stores is old news to longtime observers of this market. Traditionally, most retailers take a very aggressive promotional stance in Minneapolis-St. Paul. Shoppers are assailed by a seemingly endless barrage of tempting continuities, tape-saver plans and prize sweepstakes in a bid to secure their steady patronage.



Note: Will not add to 100% due to multiple mentions Source: Lebhar-Friedman Research

It is not unusual to find outfits like Red Owl trumpeting two continuity programs and a sweepstakes at the same time. Only Country Club, among the major food retailers, shies away from such promotional events, although it is a heavy distributor of cents-off coupons.

Helping to heat up competition is the fact that the region's population is no longer growing by leaps and bounds. The metropolitan area's population increased slightly over 2% last year, and the Chamber of Commerce is predicting an actual decline for the current year.

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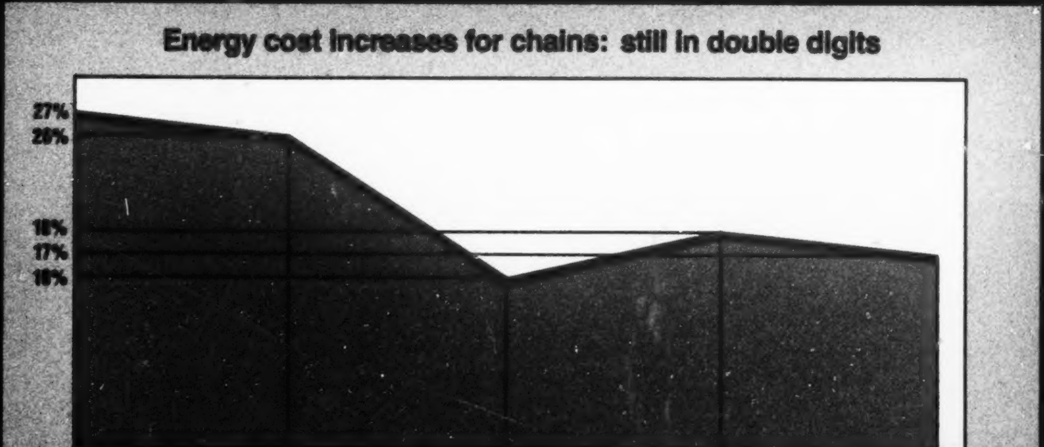
Energy: the good



Energy cost increases for chains: still in double digits

Source: CBA Research

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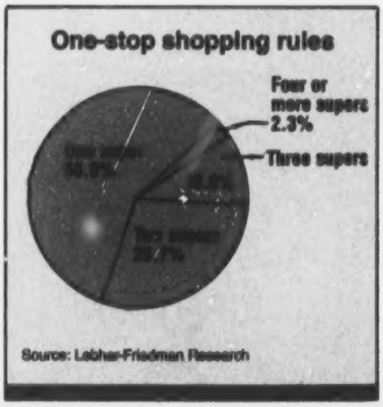
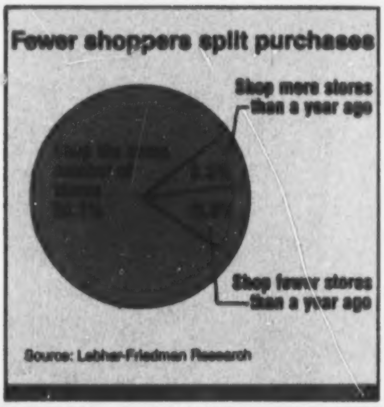
shoppers hopping

ABC STORE
THE STORE


One-stop shopping rules

Source: Lebhar-Friedman Research


Fewer shoppers split purchases

Source: Lebhar-Friedman Research

The region's supermarketers traditionally emphasize quality and service rather than price. Exceptions to this local rule are price-oriented Country Club and "no frills" warehouse-type set-ups like Red Owl's Country Stores and Hooley Supermarkets' Cub units. This strategy may now be going by the boards at many Twin Cities operations, however, since low prices are the most important reason shoppers changed favorite stores over the last 12 months.

Over 40% of the survey sample attributed their change in store loyalty to the effect of lower prices—almost as many shoppers as those who picked the two next most popular reasons combined. A little over

Behind the study

This month Chain Store Age Supermarkets *presents the fourth installment of a six-part study delving into consumer attitudes. Subsequent studies will take the pulse of shoppers in Chicago and St. Louis.*

Each study is based on hundreds of telephone interviews conducted by Lebhar-Friedman Research, with this magazine's own research arm furnishing supplementary analysis of the extensive data generated by this examination into what shoppers are thinking and feeling.

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CSA Survey: Minneapolis-St. Paul

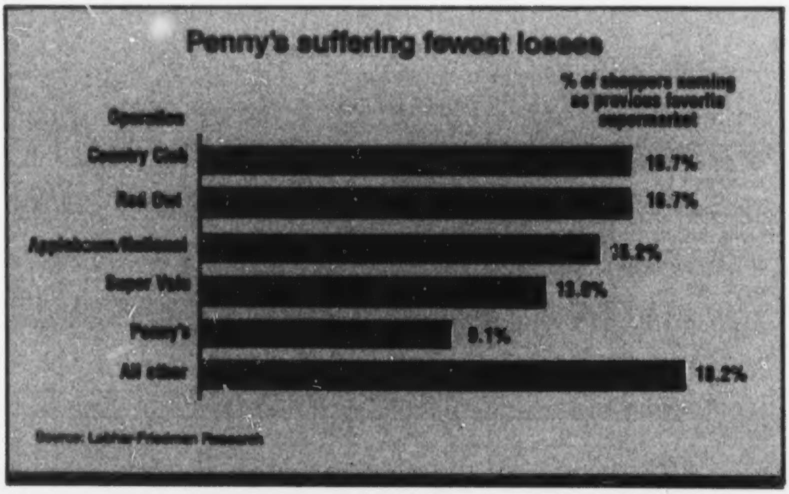
one-quarter of the participants in the study switched stores when they moved, one in six moved their business to a store with a more convenient location and 13.6% selected a new primary food shopping outlet to obtain greater product variety.

The greatest beneficiary was Super Valu. More than three out of 10 current Super Valu patrons did their marketing somewhere else as recently as a year ago. Knowlans, a small local operation, also attracted a significant number of store switchers.

Despite the rapid shifts in store preference found in the Twin Cities, it should not be inferred that local consumers are frivolous shoppers, jumping willy-nilly from retailer to retailer. More than half of the consumers polled by L-F Research have shopped in a unit of each of the "big four"—Super Valu, Country Club, Red Owl and Applebaum-National—at some time in the recent past, so they are generally pretty knowledgeable about what the region's food merchants have to offer.

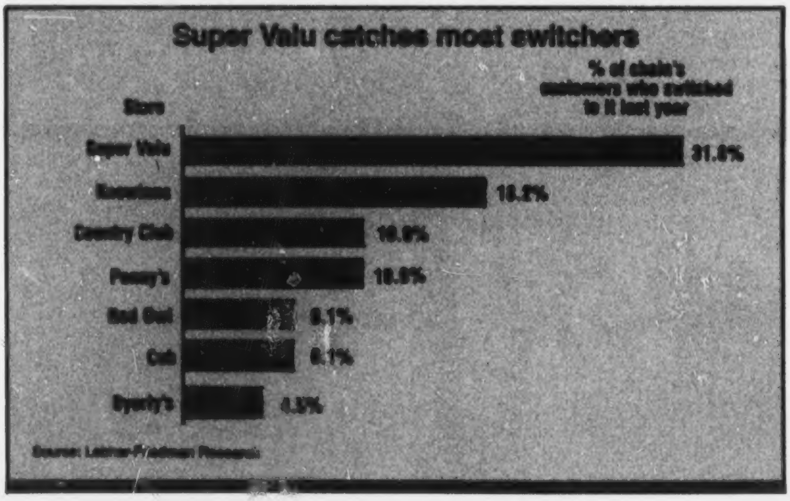
Nearly 60% are firmly committed to the one-stop-shopping concept and currently do all their food buying at the same store. Roughly three out of 10 divided their expenditures between two outlets. The trend is slightly in the direction of shopping at fewer different supers, though most Twin Cities consumers have not appreciably altered their habits in this regard within the last year. ☐

Penny's suffering fewest losses



Source: Lehrer-Friedman Research

Super Valu catches most switchers



Source: Lehrer-Friedman Research

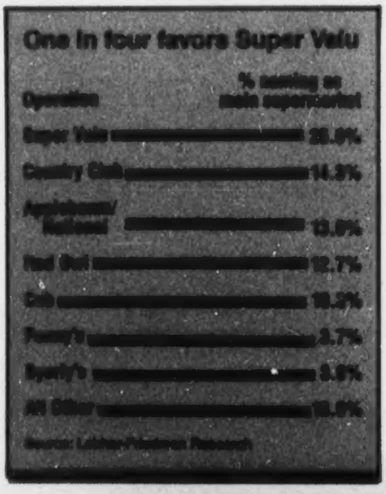
Satisfied shoppers rate Super Valu No. 1

When supermarket executives get together to discuss the major trends and issues confronting today's retail food business, one of the most frequently heard themes is the growing power of the independent grocer. No market area furnishes a better example of what small-scale operators can accomplish when backed by a progressive wholesaler than Minneapolis-St. Paul.

Despite the presence of some fairly large national and regional chains, the top food gun in the Twin Cities is definitely Super Valu. The Hopkins, Minn.-based wholesaler's voluntary group in this market, composed of 52 contract and franchised units, is hitting the center of the bull's-eye, Twin Cities shoppers tell *Chain Store Age*. One in four now call Super Valu their favorite supermarket, giving the group a comfortable margin of victory over rivals like Country Club (14.3%), Applebaum/National (13.0%), Red Owl (12.7%) and Cub (10.3%).

Although Super Valu stores appeal about equally to male and female shoppers, members of the voluntary do noticeably better among affluent shoppers than with less financially secure ones. More than one out of three shoppers (35.7%), from households with family incomes exceeding $35,000 annually do most of their shopping under the Super Valu sign. By contrast, only about 17.0% of those

One in four favors Super Valu



Source: Lehrer-Friedman Research

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CSA Survey: Minneapolis-St. Paul

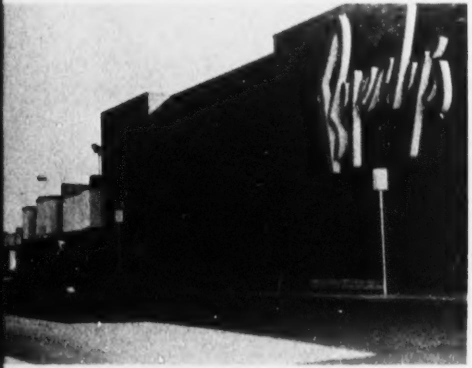
Super Valu wins 11 categories

Ranking in order of shopper satisfaction

	Super Valu	Country Club	Red Owl	Applebaum/ National	Penny's
[illegible]	1	5	4	2	3
Cleanliness	1	5	3	2	4
[illegible]	1	3	2	4	5
Helpful workers	1	4	3	2	5
[illegible]	2	1	3	5	4
Ad specials	1	2	4	3	5
[illegible]	1	2	3	4	5
Variety & quality of national brands	1	5	3	2	4
[illegible]	2	4	3	1	5
Quality meat	1	4	2	3	4
[illegible]	1	5	3	2	4
Selection of general merchandise	1	4	3	2	5
[illegible]	1	4*	3	2	4*
Average ranking	1.15	3.69	3.00	2.62	4.38

*Indicates a tie

Source: Lebhar-Friedman Research



IGA
SUPER·VALU
Welcome to

Perishables a decisive factor

	Extremely important	Very important	Somewhat important	Not too important	Not at all important	No answer
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cleanliness	31.0	46.0	21.0	1.0	0.3	0.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Helpful workers	10.3	32.0	37.0	16.0	3.7	1.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ad specials	18.7	33.7	29.0	11.0	6.0	1.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Variety & quality of national brands	9.7	38.0	40.3	8.3	2.7	1.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quality meat	44.3	39.7	11.7	1.3	2.0	1.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Selection of general merchandise	4.3	14.7	31.3	25.3	23.7	0.7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Lebhar-Friedman Research

from families earning less than $15,000 a year do likewise.

Super Valu does a bit more poorly among under-35 shoppers. Only about one in five of these consumers chose Super Valu as their favorite store. In contrast, almost 30% of the 35-54 age group—a crucial target for just about every food retailer—shops there.

Country Club, considered the price leader by many in the region, does especially well among shoppers who are probably watching their food budgets a little more closely than the average. The conventional supermarket chain gets the nod from the unemployed (20.0%), those earning less than $15,000 annually (18.9%) and those over 55 years of age (26.2%). Country Club fares perceptibly worse among those for whom price is not likely to weigh as heavily as other considerations, such as shoppers in the 35-54 age group and those with college educations.

Also scoring well with budget-minded shoppers is Applebaum/National. More than one out of every five consumers in this market with an annual income of less than $15,000 shop at this chain. The recently merged operation also fares well with younger customers, latching onto about one-sixth of all those under 35 years of age.

Super Valu's success rests on a solid foundation of shopper satisfaction. Asked to rate area food retailers in 13 critical areas, Twin Cities survey respondents picked Super Valu tops in 11 of them. Whether it's fast checkout, quality produce or a good selection of general merchandise, Super Valu leads the way in Minneapolis-St. Paul. This is the most smashing victory scored by any retailer covered in the first four installments of the Consumer Attitude Study.

Applebaum/National finished second, with a first-place finish for variety and quality of its generics. Other strengths of the chain include fast checkout, clean stores, helpful clerks, good selection of national brands and excellent produce.

On the other hand, the area's shoppers had a distinctly lower opinion of Penny's, presaging that chain's recent dissolution. Shoppers had especially low regard for Penny's pricing strategy, the helpfulness of store workers and its general merchandise offerings. ☐

Register tapes lower in Twin Cities

Although the Twin Cities is an affluent area, register receipts at supermarkets aren't quite as high, per customers, as in other cities across the country. Since the region's economy is so heavily based on agriculture, there are many alternative outlets for things like produce and dairy products that tend to hold down the supermarkets' sales-per-shopper total.

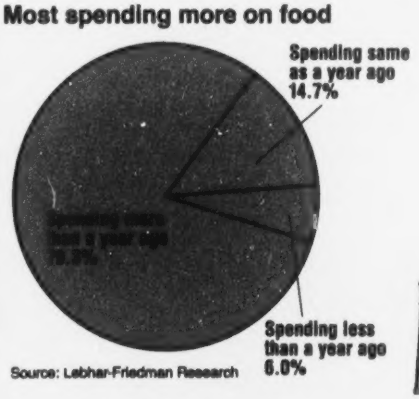
The typical consumer spends $58.70 on the primary food shopping day and fills in during the week with another $13.50 worth of perishables.

Red Owl, probably because of its Country Store operation, snags the highest average order among the Twin Cities' big four (Byerly's may well have the best figure overall) with an average tape of $65.90 on the main shopping day. National/Applebaum has the lowest, $43.80.

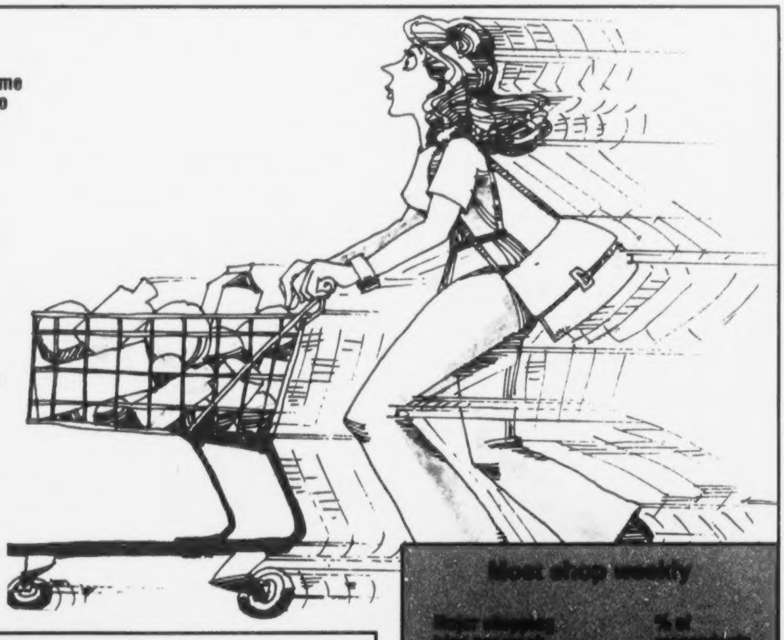
The typical shopper in the Twin Cities makes one major marketing trip per week—the arithmetic average is 1.17 trips—slightly fewer visits to the supermarket than was the norm 12 months ago. More than half, 55%, report that they get all their food buying accomplished with a single weekly visit to the store. A surprising one out of four indicates that they keep the family larder stocked by loading up only once every other week—or even more infrequently.

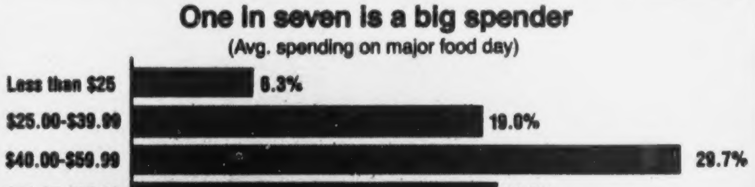
Thursday, Saturday and Friday—in that order of preference—are the most popular shopping days in the Twin Cities, although it should be noted that a hefty 45% of the survey respondents report that they don't have any set routine.

Sunday is not much of a factor in this market. Only Applebaum/National and the erstwhile Penny's show significantly greater traffic for that day than the Twin Cities norm. The former gets 7.7% of its traffic on Sunday, while the latter had been pulling in 9.1% of its weekly customer count. ☐



Source: Lebhar-Friedman Research





Source: Lebhar-Friedman Research

Most shop weekly

Major shopping trips per week	% of respondents
7 times per week	[illegible]
6 times per week	[illegible]
5 times per week	[illegible]
4 times per week	[illegible]
3 times per week	[illegible]
2 times per week	11.7%
1 time per week	[illegible]
2 times per month	[illegible]
1 time per month	[illegible]
Less than one time per month	[illegible]

Source: Lebhar-Friedman Research

CSA Survey: Minneapolis-St. Paul

Print ads draw most shopper notice

SUPER VALU
SPECIAL RED OWL SAVINGS!
Applebaum
Country Club Market
Land O'Lakes
Cottage Che

Minneapolis-St. Paul has long had the reputation of being one of the country's most exciting market areas when it comes to retail food promotions. Perhaps as a result of constant exposure to such a high level of support, Twin Cities shoppers are among the most likely in the nation to check newspapers for food store advertising. Over 60% always or frequently do so, and more than eight out of 10 scan the ads at least once in awhile.

As might be expected, considering the chain's high visibility, Super Valu shoppers are particularly interested in checking newspapers. Three out of every four Super Valu patrons always or frequently check for food ads. The same holds true for roughly two-thirds of both Country Club and Red Owl customers.

Although upper-income shoppers have a slightly greater propensity to check ads, there is surprisingly little variance among income groups with regard to browsing newspaper ads. Approximately 65.8% of those earning over $30,000 always or frequently monitor the ads, but very nearly the same percentage of those in the middle- and lower-income groups do the same.

Making a shopping list before actually heading to the store is a regular habit with most Minneapolis-St. Paul shoppers. Two-thirds of the survey respondents always or frequently prepare lists, and another one-sixth do so at least some of the time. Patrons of Country Club, who are the most likely to check store ads in the newspaper, are also the most apt to turn the data they collect into a preplanned marketing itinerary.

List-making a regular habit

Activity	Always (4) %	Frequently (3) %	Sometimes (2) %	Never (1) %	Mean Avg.
Make shopping list	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Check newspaper store ads	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Clip manufacturers coupons	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Note radio & TV store ads	7.8	[illegible]	[illegible]	[illegible]	[illegible]
Note stores offering bonus coupons	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: [illegible]

Applebaum/National and Super Valu shoppers are paying the greatest attention to radio and TV promotions of all Twin Cities shoppers. However, as was the case in other markets studied, area residents claim that they don't pay much mind to electronic advertising. Just 13.3% admit to watching or listening to broadcast messages from local food retailers on a regular basis, and two-thirds claim that they ignore them totally.

[illegible]

TV and radio, at least in this market, tend to pull in older and less affluent shoppers. Though over 15% of those in the lower-income bracket always or frequently notice broadcast commercials, just 5.8% of the over-$30,000 income group do so. Approximately four out of 10 shoppers who pay attention to such advertising started doing so within the last 12 months.

Coupons are a much-used promotional device in the Twin Cities, and the survey indicates that all but a small percentage of shoppers do clip them at least occasionally.

Super Valu shoppers are the most coupon-oriented. Approximately 72% cut them out frequently or invariably. Red Owl shoppers are next most active, with about 63.2% falling into the "regular user" category. □

—Arnie Katz

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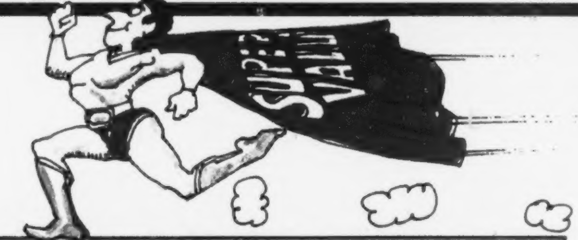
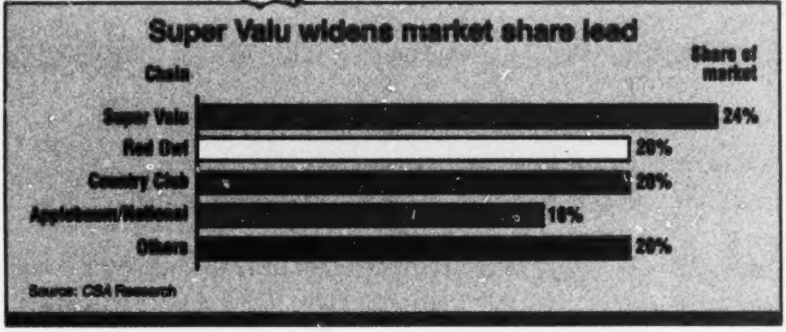
Mergers, acquisitions keep Minneapolis-St. Paul on its toes




Super Valu widens market share lead

Source: CSA Research

An ongoing series of mergers, closings, acquisitions and new store openings is keeping the Twin Cities supermarket scene a volatile one.

It's a situation exacerbated by the intense competition among regional chains and independents scrambling to snare the disposable dollars of a shrinking population.

But even as some chains fold and others continue to battle it out, the picture could be a great deal bleaker. Unlike much of the Midwest, the foundation of the Minneapolis-St. Paul economy is agricultural, not industrial. While other cities in the region have suffered extreme economic duress in the last few years, unemployment in the Twin Cities has remained at tolerable levels, and construction in the downtown districts has boomed.

Not surprisingly, the top-of-the-line stores, such as Byerly Foods and Lunds, continue to do well. Symbolic of their prosperity is the 92,000-sq.-ft. Byerly's store that opened 16 months ago. In reality, it's a small shopping center housing a 70,000-sq.-ft. supermarket, and owner Don Byerly reports, "So far we're 6% above the budget we projected. We're very happy with the results."

But more characteristic of the Twin Cities scene is the closing of the 24-store Penny's chain two months ago. Three of the stores with locations considered wholly unattractive were shuttered outright. The remaining 21 were sold en masse to a consortium made up of Super Valu, Country Club and one independent.

With the reshuffle, Super Valu upped its market share to approximately 24%. Country Club and former market leader Red Owl are locked in a duel for the second slot, with each chain owning approximately 20% of the market.

Agricultural economy has put Twin Cities on solid footing when other areas faltered

Both Country Club and Red Owl look to make strong plays for growth, though they're apt to take different routes.

A Country Club spokesman says, "We're busier than heck," and adds that with the money supply loosening up, the chain plans to build a number of new stores, including at least one in the inner city.

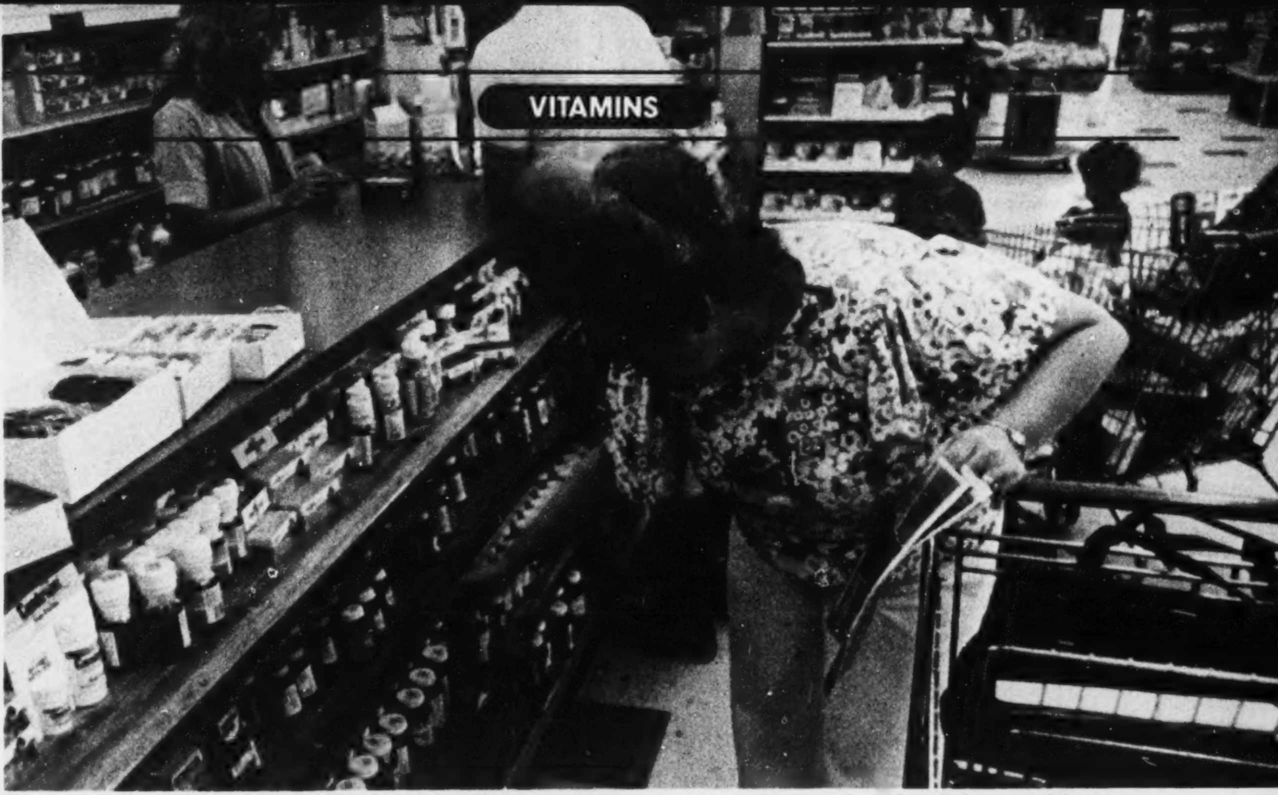
Red Owl, on the other hand, has enjoyed significant success with its line of no-frills Country Stores, a trend it expects to continue.

But battling Red Owl for the budget-minded consumer is Cub supermarkets. Cub, too, has experienced changes: Last August it joined with Super Valu, though it's still run by its original owners, Hooley's Super Markets.

Also stirring the pot was the National Tea buy-out of Applebaums two years ago. Thus Applebaums became the only chain run by a national company in a market thoroughly dominated by independents.

Indicative of the fierce regional loyalty that has kept the big chains at bay, an observer extremely close to the Minneapolis-St. Paul market comments, "After the acquisition, National Tea changed the names of the National stores it had in the area to Applebaums so consumers would have the perception they were all locally run."

In the latest twist in this ongoing saga, National Tea last month turned its warehouse operation over to Gateway Foods, Applebaums' original supplier. ☐



Vitamin sales in supers have nearly tripled in the past five years, thanks in part to retailers' growing acknowledgement of the category.

What's behind the surge?

Want to see a "sleeper" sizzle? Keep your eyes on vitamins. They're one of the most promising growth categories for the 80's.

Last year alone vitamin sales rang up over $250 million in supers around the country. Carrying an average margin of 35% and an average price tag of $4, vitamins are receiving expanded selling areas from even the most ardent food-oriented grocers.

Yet, despite the increased recognition of vitamins' potential in supermarkets, they still account for only 15% of total market sales.

That's because drug and health food stores have been reaping the category's wealth for years, riding average margins of 35% to 45%. In the past decade, especially in the last five years, supermarkets have slowly gained a larger share of the total market, but the potential is far greater.

Positive signs: Aggressive supermarket retailers have replaced skimpy eight to 12 sku "sections" with full-line departments, often with multiple displays accompanied by enticing promotions.

Supers' share on steady upswing

Source: *CSA Research*

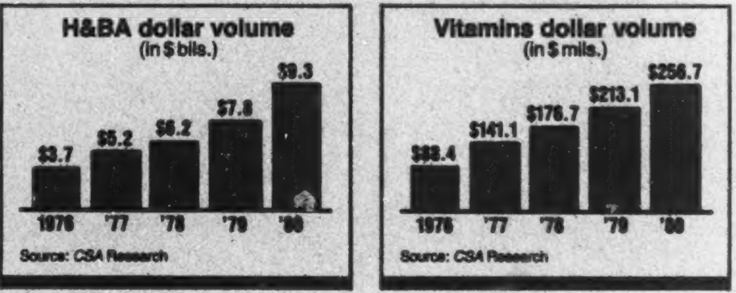
In 1980 vitamin shelf display in a typical supermarket averaged 8.5 linear feet, 12.5 linear feet in superstores. One-fifth of chains with more than $400 million in annual sales boast units with 30 or more linear feet devoted exclusively to vitamin mixes.

The growth in footage is due in part to general expansion of H&BA sections, especially among superstores. (Chains like Safeway, Albertson's, Smitty's and J. Weingarten have made extensive commitments to vitamins.) It's common for vitamins to be displayed within or adjacent to the store's H&BA section. The traffic generated by the former builds sales for the latter.

As the consumer picks up the toothpaste and shampoo, she's just as likely to—and often does—reach for a bottle of vitamin C or a multiple plus-iron. (Food/drug combos do especially well with vitamins precisely because consumers *expect* to find a full selection of vitamins for their needs.) Retailers who actively promote and attractively merchandise supplements find a ready audience in health-conscious consumers.

Increased consumer awareness of nutrition has also contributed significantly to the rising popularity of this category. Favorable press for vitamins and the public's interest in preserving good health have been the motivational building blocks

Tracking the vitamin category



Source: CSA Research

Source: CSA Research

Vitamin sales in supermarkets have almost tripled in the past five years, up from $88.4 million in 1976 to $256.7 million in 1980.

Last year's 20.5% rise in vitamin volume parallels the 19.27% rise in total H&BA sales. Industry sources project that 1981's vitamin sales will easily surpass $325 million.

One of the reasons for such optimism is the proliferation of larger sections. New superstores all over the country are opening up with 100 or more linear feet devoted to H&BA. Vitamin sections may claim up to 30 linear feet of that area. □

supporting vitamin sales. Consumer interest has also helped broaden the vitamin mix considerably. Naturals now have a steadfast place beside multis and children's vitamins; single-entity vitamins come in several national brands as well as private label.

Not all bliss: Nevertheless, one out of every three retailers devotes less than 5 linear feet to vitamin displays, mainly because of old taboos and ignorance. As one grocer put it, "What kind of a statement am I making about my foods if I carry vitamins?"

Retailers like that one, who refrain from investing space in vitamins, usually have a natural defense against a nonfoods "invasion." Questioned further, these retailers reveal key concerns like pilferage, high-ticket inventories and complicated stocking.

What's a skeptical retailer to do? Watch the ones who are succeeding, naturally.

Weingarten's has more than tripled its vitamin business in three years by expanding its section 40 linear feet, 24 ft. of which are control-label products. Safeway capitalizes on its in-store pharmacies by merchandising vitamins within the department. Pharmacists act as vitamin consultants and the section gets heavy traffic from the nearby H&BA department. Last year Jewel/Osco combo stores dropped one private label brand and extended their naturals line. The results proved surprisingly good and exceeded the company's "highest expectations."

Retailers who are still sleeping on this "sleeper" are foregoing a major sales opportunity. As one Houston broker sums it up: "Once retailers get over the Bugs Bunny syndrome [few sku's of brand name multiples and children's vitamins] and get into the real volume builders, single-entity vitamins, with some solid promotion and aggressive merchandising behind them, the cash register jingle will lullaby away their qualms. . . ." □

Retailers slow to swallow vitamins' lure

Relatively high price tags and high margins are effectively countering slow turns.

It's hard to believe that a category that earned retailers a hefty $91.1 million in gross profits could also be one of the most frequently overlooked product groups in the entire store. Yet it's true; that description perfectly fits the vitamin department.

"Vitamins are very profitable if the retailer looks at the gross margin return on inventory investment," notes Mike Valentino, product manager for Theragran at Squibb. "The return can be 10-15 times greater than for dry grocery, even though vitamins may not turn as fast."

Many observers believe that the main reason retailers have a tendency to low-rate vitamins is the relatively slow turn. Particularly with the market for multivitamins

(Continued on p. 55)

Tailoring product mix to the 'new demographics'

It's now a tired refrain: Grocery volume is on a no-growth plateau. Sales are flat.

Yet the marketplace is changing. That's because neighborhoods are changing, and some chains seem to be oblivious to the ramifications.

For example, 20 years ago a store might have targeted its marketing plan to its white clientele, averaging two children per family, with annual income of $10,000 to $16,000.

In the ensuing years, however, the population may have shifted to black or Hispanic, and whites may have become the minority. Incomes, relative to the cost of living, may have fallen. Did the store shift its merchandising thrust to accommodate its new clientele?

Some chains did; many did not. Those that didn't have continued to cater to the customers who were responsible for their success through more standardization of operations and marketing tactics.

Even so, there are chains that have succeeded by adjusting their mix to the new demographics. However, with limited information—generally, gut feeling or intuition based upon past experience or assumption—the store manager or headquarters staff have little chance to choose the most profitable alternatives. Still, the basic question remains: Are the differences among stores significant enough to warrant individualized merchandising programs?

That question can best be answered through the analysis of scan data. A case in point is generics. Do buying patterns of blacks and Hispanics differ from whites?

Yes, according to a recent TRIM Inc. ethnic analysis of 21 stores in one chain (seven stores in white areas, seven in black and seven in Hispanic). The data represent 36 weeks of sales; thus individual weekly promotions do not bias the findings.

The study centered around five generic commodities: canned tuna, ground coffee, beer, paper towels and canned pears.

Highlights of the findings:

Canned Tuna. With regard to total tuna sales; whites bought almost twice as much as blacks and Hispanics. Generic tuna averaged 1.46% of total tuna purchases in black stores compared to 1.08% for Hispanic and 0.63% in white stores.

Black stores also outpointed white and Hispanic ones in purchase incidence (dollars per 1,000 shoppers) of generic tuna.

Ground Coffee. At the total category level, whites spent almost three times more than blacks and 1.6 times more than Hispanics. However, white, black and Hispanic stores were fairly consistent in generic's percentage of total coffee sales (2.36% for whites; 2.57% for blacks, and 3.06% for Hispanics).

Neighborhood buying patterns are changing; the smart retailer changes with them

Looking at generic coffee purchase incidence, whites lead with $5.48, vs. $4.30 for Hispanics and $2.23 for blacks.

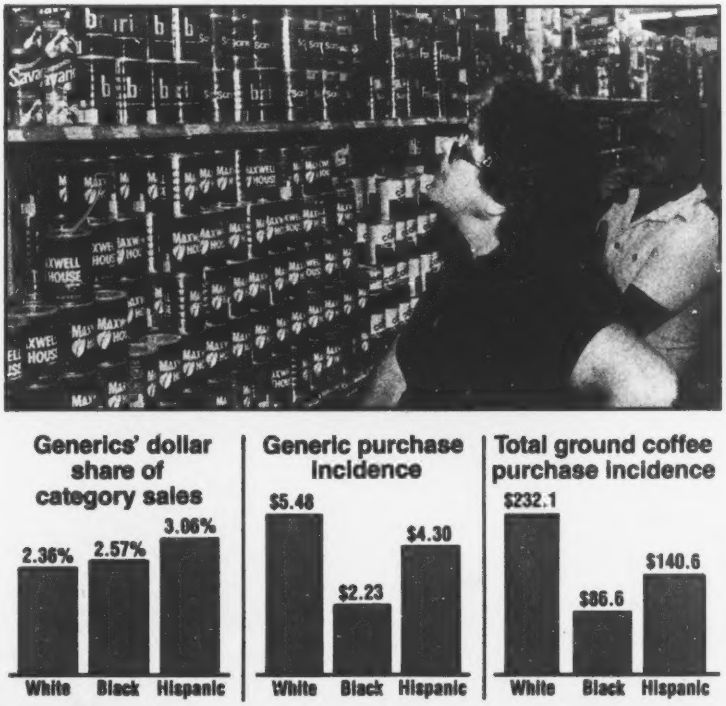
Beer. Hispanics spent 17% more than whites and almost twice as much as blacks in total beer sales. However, whites purchase more generic beer—7.46% of dollar sales—as well as higher purchase incidence—$10—compared to $8.95 for Hispanics and $3.45 for blacks.

Paper towels. Whites spent 50% more than blacks or Hispanics in the total category. In black stores, generics account for 25% of total paper towel dollars, compared to 15% in white stores.

Canned pears. Whites have a higher purchase rate ($8.08 dollars per 1,000 shoppers). However, Hispanics edge whites and blacks on the percentage of dollar sales for generic in this category (27.24% for Hispanics vs. 26.34% for whites and 22.11% for blacks).

Another ethnicity study on sugar reveals that blacks, with a purchase incidence of $124.73, buy more sugar than either whites or His-

Ground coffee analysis



Source: TRIM Inc.

panics. Also, blacks buy a higher percentage of national brands of sugar (65.9%) compared to whites (50.5%).

A study of national brand ready-to-eat cereals, covering more than 4 million shopping trips, revealed that of six national brands, five sold more in white stores than in black or Hispanic stores. Black stores lead in sales of one national brand, while Hispanics were also-rans in all six brands.

Conclusions

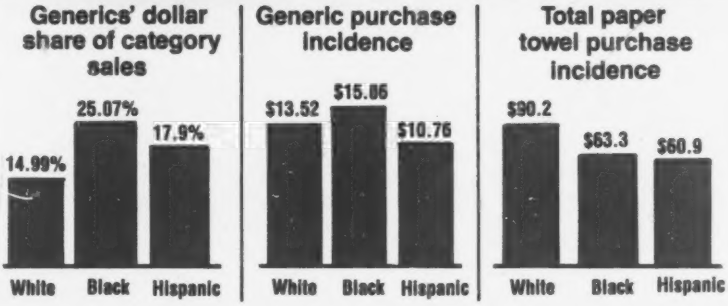
- With the exception of the sugar category, sales per 1,000 shoppers were lower in stores with a high proportion of black customers.
- Since the analysis did not deal with income level of the shoppers of these stores, some of the differences could be due to lower income levels and lower expenditure levels.

One factor that is known to vary with the type of shopper is the frequency of shopping (average number of shopping trips per week). Therefore, the purchase incidence was adjusted to account for these variations.

- Generics' share in the black and Hispanic stores was higher than in the white stores in most categories.
- In ready-to-eat cereals, manufacturer B maintained his share in all three groups of stores, while manufacturer A was stronger in the ethnic stores.
- These studies were performed using scan data from one chain operating in a specific market area. Therefore, the results may not totally apply to another chain or marketplace. But they do represent the kinds of results that could be obtained if the analysis were performed in another area.

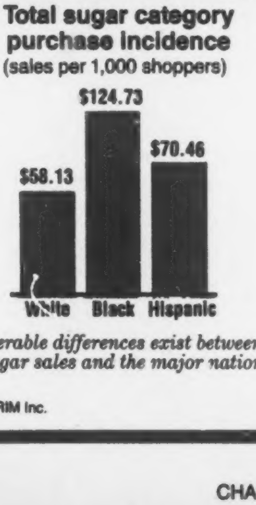
According to Allan Hernandez, president of Scan Research Group, these examples show dramatic differences between stores with different ethnic compositions. "The knowledge of these differences can be translated into the better satisfaction of customers' needs and corresponding increases in sales and profits," he says. To explain why these differences exist would require additional research and analysis, but according to Hernandez, "For the retailer, analysis similar to these examples should be sufficient to provide the necessary direction without in-depth research to determine why." ☐

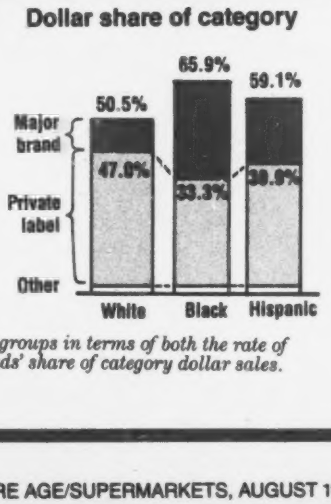
Paper towel analysis



Source: TRIM Inc.

Sugar category analysis


Total sugar category purchase incidence
(sales per 1,000 shoppers)
$58.13
$124.73
$70.46
White
Black
Hispanic



Considerable differences exist between ethnic groups in terms of both the rate of total sugar sales and the major national brands' share of category dollar sales.

Source: TRIM Inc.

BUSINESS NEWS

Allied sees light at end of tunnel

Allied Supermarkets, floundering in Chapter XI since November 1978, has finally been thrown a life preserver. New funding from a group of investors and a Chicago bank should allow the beleaguered chain to settle with its creditors in the near future.

Warburg, Pincus Capital Corp., a New York venture capital firm, and a partnership formed by Martin Citrin, an Allied director, and his brother Toby Citrin have arranged to purchase two new classes of Allied preferred stock for $3 million.

In addition, the preferred stockholders will have certain voting rights and other rights and privileges. They will include the right to elect one-third of Allied's board of directors.

Allied has also received a commitment from Continental Bank of Chicago for a three-year secured line of credit between $4 million and $7 million. Along with the $3 million realized from the stock sale, this money will provide general working capital as well as financing the plan of arrangement. The plan was agreed to in principle on April 6, 1981, by Allied's creditors' committee and was filed with the bankruptcy court in May.

Stockholder proxy and creditor solicitation material was filed with the Securities & Exchange Commission in July and should be mailed to the creditors and stockholders this month.

The agreement with the investing group and the bank is contingent upon consummation of the plan of approval.

In other developments, four holders of Allied 5¾% convertible debentures have filed a motion to have Allied's case switched from Chapter XI to Chapter X. Allied is opposing the motion, as is its creditors' committee.

According to Jack Rixmann, chairman and president, Allied's third quarter, ended April 4, 1981, was a profitable one. Rixmann adds that the upturn has continued through the fourth quarter. Labor concessions and interest on surplus funds have helped the company run in the black.

Foodarama obtains financing package

Foodarama Supermarkets has taken steps to fund projected capital expenditures, repay a bank debt and obtain additional working capital by arranging for a $9.5 million financing package. The proceeds from the agreement with National Bank of North America and Fidelity Union Bank, N.A., will increase the 37-store ShopRite affiliate's cash position to $7 million and working capital to $6.5 million.

One effect of the move will be to make easier the enlargement of four units and renovation of six others. The Freehold, N.J.-based company also plans to install energy-saving equipment throughout the chain by June 1982.

Super Valu scores 17% sales gain

Super Valu's fiscal 1981 first-quarter net earnings hit $18,053,000, a healthy 19% over last year's $15,191,000. The figure was particularly impressive since 1980's numbers showed a 30% increase over 1979.

Sales reached $1,365,421,000, a 17% increase over the same period of a year ago.

Michael Wright, new ceo, said at the annual meeting that "wholesale food sales have moved steadily ahead." He pointed to the 16 former Penny stores that recently became Super Valu affiliates (under independent ownership) as presenting new opportunities.

Wright also said that Cub Food Stores, which Super Valu took over a year ago, "contribute substantially" to sales and earnings. Super Valu will open at least five Cub-type units this year, some of which will be independents.

Michael Wright

Super Valu also split its stock 2 for 1, with the additional shares scheduled to be mailed to shareholders Aug. 7.

Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
First National	Year	3/28	$1,230,173,000	− 10	$10,042,000	+ 120	0.82
Marsh	Year	3/28	491,810,322	− 10	4,500,520	+ 12	0.92
Fred Meyer	4 mos.	5/23	298,075,000	+ 12	3,187,000	+ 14	1.07
Super Valu	4 mos.	6/20	1,365,421,000	+ 17	18,053,000	+ 19	1.32
Food Fair	3 mos.	5/9	306,222,000	+ 17	7,432,000	+ 156	2.43
Giant Food	3 mos.	5/23	362,538,000	+ 15	176,000	− 95	0.05

Source: CSA Research

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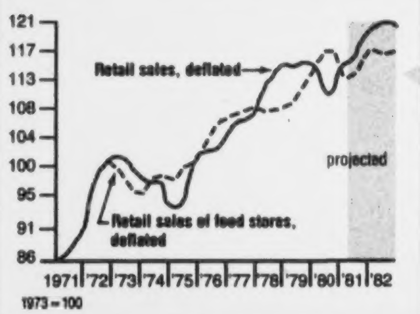
See food sales 'pickup' in October



Food stores

	Sales change by quarter								12-month % change		
	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81 1Q %	'81* 2Q %	'81* 3Q %	'81* 4Q %	'79 %	'80 %	'81* %
Sales include inflation	11.0	10.3	11.2	10.6	10.4	10.7	8.3	8.0	12	11	9
Real sales (deflated)	5.8	4.9	2.0	– 0.6	– 1.4	– 0.6	1.5	4.6	2	3	1

Base = April 1981 sales
*Projected

Over the next three months, food volume and sales increases will begin to pick up speed, according to the latest L/F Econocycle forecasts.

Supermarket "real" sales this month are pegged for 1%-plus gains, leading to accelerated volume advances for the balance of 1981.

This contrasts sharply with other sectors of the general retail economy that are starting to "wind down," going into the final period of the year.

Heading into the fourth quarter, in fact, general retailing is beginning to slow from earlier sales surges and directions, current trackings indicate.

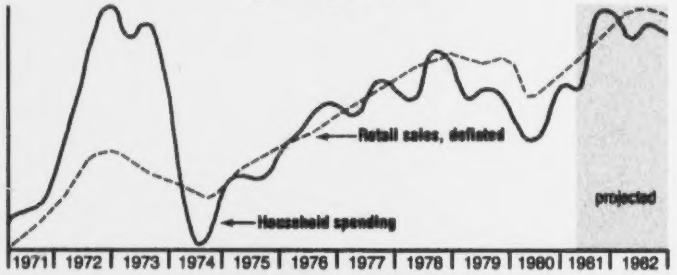
All-retailing (charts below) is expected to rack up a solid 6% across-the-board gain for the quarter ending next month, due to slowdowns in several key retail groups that are now falling behind earlier rates-of-gain (i.e., drug, food service, building/home center retailers).

Those areas expected to "override" the slowdown trend, however, include:

- Apparel specialists: now outrunning all retail markets and heading for an 8% annual gain.
- Department and discount stores: pegged for 5%-7% "real" sales increases in second- and third-quarter periods.
- Building/home center operators: with par-beating gains in the current quarter, but sharp drops expected for the final three months.

The L/F Econocycle projection still projects a "bullish" fourth quarter (in the 4%-plus range) for food/grocery sales, spurred by growing momentum through the late summer/early fall months (charts above). The computer model projects a 3% September gain, jumping to 4%-plus October increases that will keep climbing through November and December. As some experts see it, the supermarket business is "ready to roll" into 1982.

Spending Indicator



Sales/Include inflation % change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	– 8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	– 1.5	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	8.5	14.1	5.1	6.4	5.8	5.8
1981	1Q	10.0	10.4	6.8	8.5	10.1	8.3	9.7	7.9	8.4
	2Q*	13.8	10.7	10.5	19.8	9.3	13.9	11.6	11.5	12.1
	3Q*	12.1	8.3	10.8	15.5	8.7	12.3	12.4	10.0	11.0
	4Q*	11.6	8.0	8.9	5.4	5.8	12.0	12.4	6.4	8.9
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	7.0	9.0	10.0
	1980	7.0	11.0	9.0	– 3.0	12.0	5.0	5.0	6.0	5.0
	1981*	12.0	9.0	7.0	12.0	8.0	12.0	12.0	9.0	10.0

Real sales (deflated) % change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1980	1Q	– 1.2	5.8	0.0	– 2.6	3.8	4.9	– 1.4	1.9	1.8
	2Q	– 5.0	4.9	– 0.1	–17.6	2.0	– 3.4	0.5	– 2.4	– 2.0
	3Q	– 4.2	2.0	– 0.9	–18.5	0.5	– 5.8	– 0.2	– 3.4	– 3.3
	4Q	– 2.9	– 0.6	– 1.8	–10.4	3.9	– 1.1	1.5	– 2.0	– 1.1
1981	1Q	0.5	– 1.4	– 2.6	– 1.2	– 0.0	2.1	5.8	0.9	2.2
	2Q*	5.7	– 0.6	1.6	11.3	0.7	8.5	7.4	5.1	6.3
	3Q*	5.8	1.5	2.3	7.4	1.6	6.9	8.8	4.3	5.8
	4Q*	6.8	4.6	1.1	– 2.3	0.2	5.0	9.6	0.5	3.4
% change 12 mos.	1979	1.0	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980	– 3.0	3.0	– 0.7	–12.0	3.0	– 1.0	0.1	– 2.0	– 1.0
	1981*	5.0	1.0	0.6	4.0	0.6	6.0	8.0	3.0	4.0

Base = April 1981 sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

Price sensitivity reshapes product mix

GM outlook: optimism tinged with caution

Industry experts sound off on publications

Chain Store Age
Supermarkets
THE NEWSMAGAZINE FOR CORPORATE CHAINS, CO-OPS & VOLUNTARIES
September 1981

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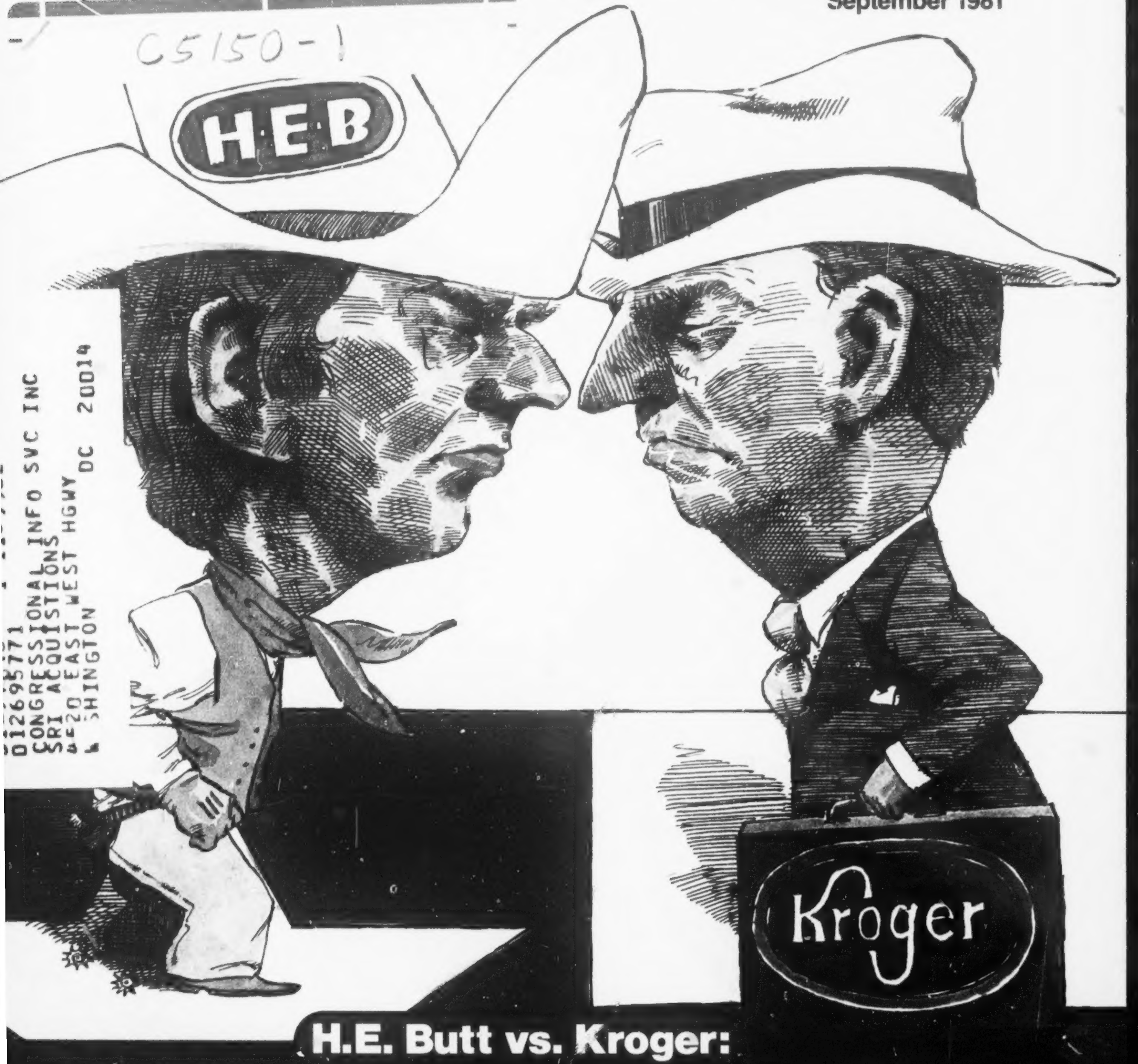

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H.E. Butt vs. Kroger:

Showdown in San Antonio

Chain Store Age
Supermarkets

September 1981

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EXPRESS CHECKOUT

Malone & Hyde sells 41 Texas drug stores

Memphis-based Malone & Hyde has agreed in principle to sell 41 of its 167 drug stores. Still, a company spokesman insists the move "absolutely does not signify a shift away from our overall drug operation."

The buyer of the stores, which are located in San Antonio, Houston and Beaumont, is the Jack Eckerd Corporation.

Though no price was released, revenue from the cash sale and the transfer of inventory is expected to liquefy approximately $15 million.

"The sale was made because those particular units were performing beneath the corporate average for sales per square foot, and we wanted to put the money where it will reduce short-term debt," explains Doris Ferguson, director of financial relations.

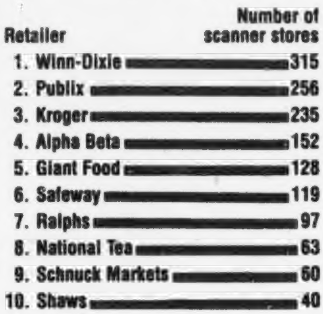
"The stores had pretty heavy competition from Kroger and H. E. Butt. They were profitable stores—above the industry average per square foot—but not as profitable as we would have liked," Ferguson adds.

One in 10 units has scan registers

Once again, America's retailers have made monkeys out of would-be seers. The latest figures on scanning implementation, compiled by the Food Marketing Institute, show that approximately 10% of United States supers have installed such POS as of June 1, 1981. Some overly conservative forecasters had not expected the industry to achieve this level of scanning penetration until the end of the current year.

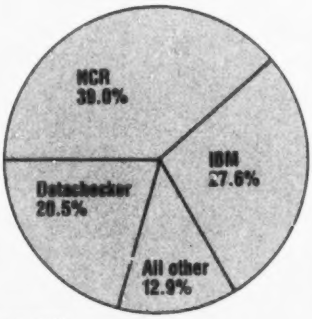
Winn-Dixie, which added 29 scanner stores to its roster, continues to lead all other supermarket companies. The Jacksonville, Fla., company is operating 315 of them as of the end of first-half 1981. Publix (256 systems) retains second place, with Kroger (235 systems) a fast-closing third.

Winn-Dixie still No. 1



Source: FMI

NCR is top vendor



Source: FMI

Although there are supermarkets using scanning registers in all 50 states, the Sunbelt is getting a big share of the installations. The three states with the greatest number of scan set-ups—California (467), Florida (455) and Texas (225)—are all in warm-weather regions of the country.

Among the vendors, NCR is slowly but surely widening its lead over former first place scan supplier IBM. NCR equipment now operates in 1,539 units, vs. 1,090 for IBM. Datachecker, with 811 systems, continues to inch up behind the two leaders and now accounts for 20.5% of supermarket scanning installations.

Correction

The sales contribution chart on page 38 of the July Sales Manual erroneously listed tobacco products' 1980 average gross margin as 10.3%. The correct figure is 13.7%.

On page 274, the figure for average gross margin (% of retail) for tabloids was incorrect. The actual figure should be 24.5%.

Regional highlight: Boston chains in seesaw moves

The Boston market has been popping in the last couple of years, with one time area power First National shuttering its conventional supers, Stop & Shop's market slice eroding and warehouse stores grabbing a market share estimated as high as 11%.

Purity Supreme's Heartland Warehouse Foods has led the way for the North Billerica-based chain. It has helped it reach a dominant position in the Boston area, vying with Stop & Shop and Jewel's Star Markets for the No. 1 slot. Heartland stores pull $350,000-$400,000 a week, with some units hitting the half-million-dollar mark.

First National's only remaining representation in Bean Town is several Edwards Food Warehouses. The folding of its other units gave competitors a short breathing spell in 1980, but most of these units have since reopened.

Stop & Shop has scooped up at least one of these units, located in Braintree. Stop & Shop was long the acknowledged leader in the Boston area, but, many feel, neglect caused in its decline. However, chain president Lew Schaeneman has expressed his determination to return the chain to profitability in its home town.

That won't be an easy task. Besides the formidable Purity Supreme, Jewel's Star Markets has proven a tough competitor. Star is involved in an interesting move; besides its own units, it now also supplies a number of Star Agency stores. Apparently, the chain feels that wholesale business will lead to higher profits than retail alone can provide.

Among other prominent chains in the area are DeMoulas, noted for its high per-store volume, Shaw's, Angelo's, Victory and Hi-Lo. A good many independents are also in the market race. The area remains, to an extent, in a state of flux.

EXPRESS CHECKOUT

SAMI study finds generics on rise

Plain wrap products have carved a 0.6% share of total United States grocery sales according to a recently published report by Selling Areas Marketing Inc. (SAMI). As of April 1981, generics sales had surpassed the $1 billion mark, a 155% jump over the previous April tally.

While some in the industry dispute the SAMI figures as too conservative—*CSA Supermarkets* pegs generics volume at 4% of sales—the vast year-to-year percentage increase appears to accurately reflect the spread of "no frills" products.

Generics spread

	Had generics as of 11/14/80	Had generics as of 11/16/79
Dry grocery: Food	152	88
Dry grocery: Nonfoods	41	25
Frozen foods	25	5
Refrigerated foods	14	0
H&BA	22	9

Source: SAMI

Of profound interest also is SAMI's first-ever projection of generics volume of supermarkets that carry such products. It shows that in some key categories, the plain wrap offerings account for as much as half of sales in these supers.

Boxed beef to enter St. Louis market

The last major bastion of resistance against the surging tide of boxed beef has finally crumbled. Meatcutter's Local 88 in St. Louis has negotiated a four-year pact with the city's leading grocers—Kroger, Schnuck's and National—that will pave the way for the introduction of boxed beef into a market where the question has been hotly debated.

The chains got what they wanted all right, but the cost is undeniably steep. The union, says president Ed Leach, is "the most costly meat package ever negotiated." With fringe benefits, a journeyman meatcutter will be earning $43,000 annually by the time the new contract expires. Furthermore, all present meat men are guaranteed against productivity layoffs related to boxed beef methods during the entire life of the contract.

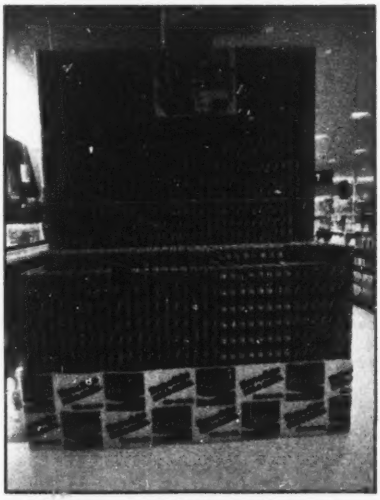
Niagara Frontier sale falls through

The sale of the Buffalo-based Niagara Frontier Services that had been agreed-in-principle to A&P for an estimated $84.6 million has fallen through.

"There was mutual agreement to terminate the agreement," stated a spokesman for A&P. Both companies declined further comment.

Speculation behind the collapse of negotiations range from reticence by Niagara Frontier stockholders to buy into A&P, which lost $43 million last year, to reports that the move was a gesture by A&P to demonstrate financial strength before its annual meeting.

H. E. Butt pops soft drink promo



Want to do a little in-line advertising and sell soft drinks as well? Here's how one H. E. Butt store does it in San Antonio, with a little help from the Coca-Cola route man.

The display is a relatively fast and easy way to add a little Sprite-liness to an otherwise ordinary endcap.

Olsens fund day aids local charities

A vexing problem for many retailers is how to handle requests for charitable donations so that all organizations are treated fairly.

Olsens Market Place Stores in Yuma, Ariz., has come up with Fund Day. Each Thursday, shoppers are encouraged to write the name of their favorite charity on the back of the cash register tape and deposit the tape in a Fund Day box in the store. Olsens then sends a check for 5% of the purchases to the designated charity.

Village convicted of coupon fraud

Village Super Markets has pleaded guilty to 50 counts of mail fraud stemming from the redemption of $2.4 million in cents-off coupons.

The coupons, representing about 8% of the chits handled by the ShopRite member, had been collected by New Jersey charitable organizations as part of fund-raising efforts. The charities did not buy the appropriate products, but did pay Village a handling fee. According to Federal authorities, the fee was sometimes as high as 50% of the coupon's value.

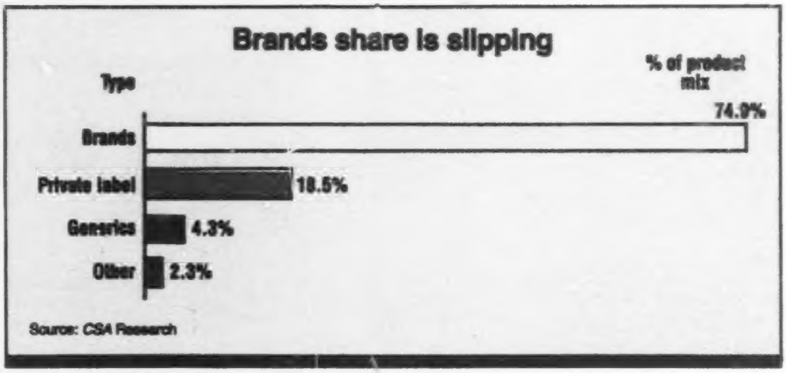
Although no executives or other employees of the company will face prosecution due to a plea agreement, Village does face fines that could total $50,000.

Information flap

An error in communication resulted in a misattribution on page 99 of the May 1981 issue of *Chain Store Age Supermarkets*. The piece, dealing with Vic & Ken's meat market in west Los Angeles, erroneously indicated that the store's owner, Mr. Vic Waldahl, is also the owner and founder of Consumer Cattle Co.

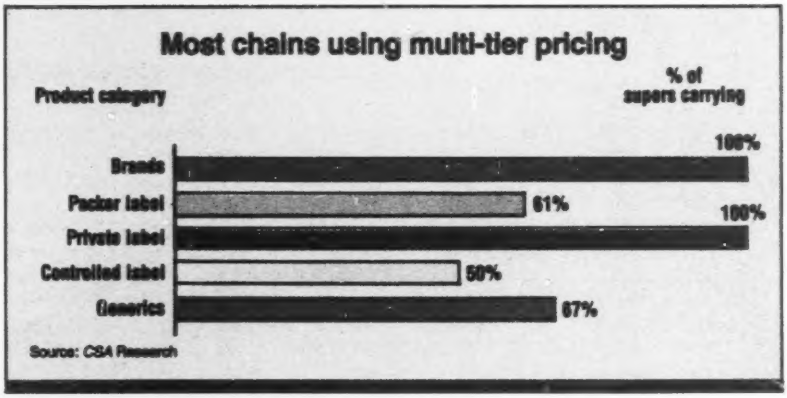
Although Waldahl is, in fact, a valued customer of that company, Warren Ehring is the sole owner and manager of Consumer Cattle Co.

Retailers push hot pricing strategies



Brands share is slipping

Source: CSA Research



Most chains using multi-tier pricing

Source: CSA Research

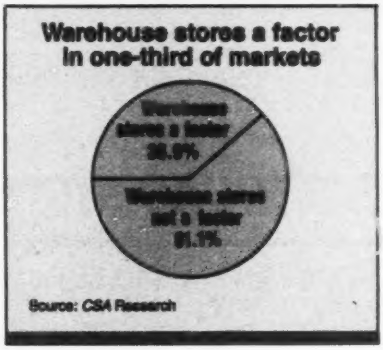
There's no denying the fact that good customer service, a wide selection of merchandise and high product quality all contribute tremendously to building shopper loyalty. Yet in these inflation-ravaged days, it is increasingly clear that market conditions are forcing retailers to depend more heavily on the appeal of low prices to pull shoppers into their supermarkets.

Results of the 1981 *Chain Store Age Supermarkets* Pricing Study suggest that top managements at many leading super chains are in the process of girding the corporate loins for a period of intensified price competition. Chains are responding to consumers' obvious growing interest in the "no frills" retailing concept by fine-tuning there stores' pricing structures and sharpening their companies' promotional thrusts.

A catalyst for the resurgence of price-oriented retailing is the arrival of the warehouse market as a significant competitive force in many cities across the United States. Nearly four out of 10 retailers tell *CSA* that they're currently butting heads with no frills operators in their trading area.

There are about as many strategies for dealing with encroachments by warehouse markets as there are operators of conventional supers and superstores. "If you can't beat 'em, join 'em" appears to be one of the most popular approaches at the present time. Approximately one-third of the nation's 100 highest-volume supermarket chains are fielding such limited-service, reduced-selection outlets. More than half of the "top 100" chief executives polled by *CSA* consider this type of direct counter attack the best way to meet the no frills challenge.

As a result, the number of warehouse stores is on the rise once more. Warehouse units numbered roughly 1,200 at the beginning of this year, a little more than 3% of the total supermarket store mix. Nearly 300 have gone on stream as of August 1, with every likelihood that there will be as many as 1,700 by the end of this year.



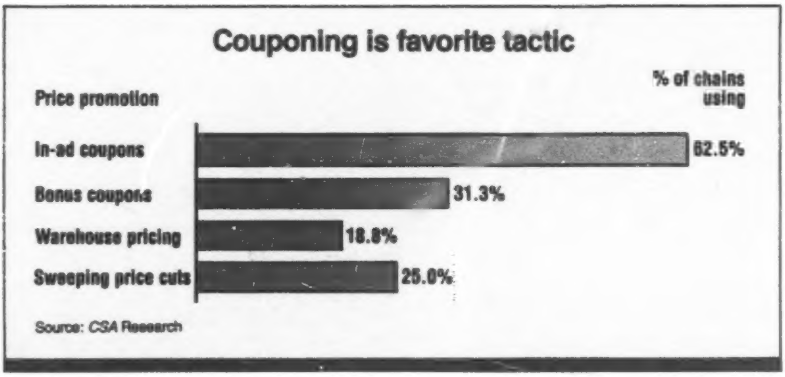
Warehouse stores a factor in one-third of markets

Source: CSA Research

Also fueling incipient price wars is the continuing increase in supplier-sponsored promotions. More than three out of every four supermarketers participating in the study reports that more deals and allowances are hitting buyers' desks this year than last. Manufacturers are, in many instances, engaged in life-and-death market-share struggles of their own. Stepped-up promotional activity is just one consequence of the rapidly escalating battle of the brands, brought into being by the spirited competition for shelf space allocation.

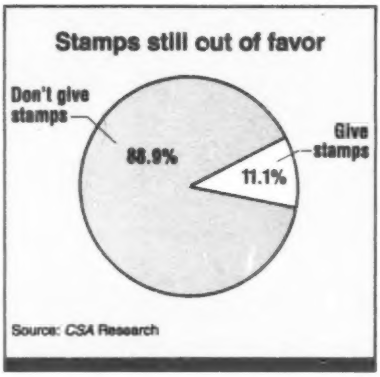
Another way to maintain share-of-market against the onslaught on no frills retailers, chain chief executives believe, is to beef up their own operation's promotional programs. Here again, price-oriented campaigns appear to be getting the nod over those primarily intended to foster great allegiance to the stores.

The most popular type of promotion, as might well be expected, is couponing. More than six out of 10 companies among the top 100 chains have used in-ad couponing within



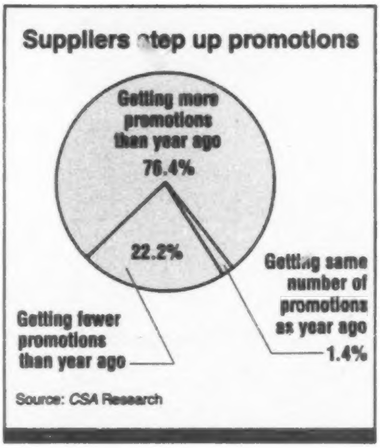
Couponing is favorite tactic

Source: *CSA Research*



Stamps still out of favor

Source: *CSA Research*



Suppliers step up promotions

Source: *CSA Research*

the last 12 months. Although Cassandras keep predicting that cents-off chits will soon reach the saturation point, there is actually no hard evidence to support the notion that shoppers are wearying of redeeming them.

About half of those retailers using regular coupons are distributing the bonus variety as well. Often double- or triple-couponing will spread through a particular market area like wildfire until four, five or even more chains in a single city are regularly shooting out double and triple coupons simultaneously. It provides faithful clippers with a budget-stretching windfall, though it also does terrible things to the bottom line.

Many operators of conventional units and superstores who don't want to get into no frills retailing directly by opening warehouse markets are nonetheless willing to learn new tricks from these johnny-come-lately rivals.

One-quarter of all "top 100" chains have initiated sweeping price cuts—chopping retails on at least 500 items in one swoop—within the last year. "It creates an instant low-price image," one chain chief executive noted on his survey questionnaire. What he didn't say is that such a move also makes it much harder for no frills competitors to capitalize on the differential between prices of the same items at competing stores.

Another way to achieve the same results is by proudly flying the banner of "warehouse pricing." It keeps warehouse units in the trading area from getting too comfortable while giving grocers a bit more flexibility than simply scything the price tags on hundreds of items. A little less than 20% of the "top 100" chains have adopted a "warehouse prices" format since mid-1980.

By way of comparison, only slightly more than 11% of the chains polled by *CSA* are offering their customers trading stamps at the present time. Even more meaningful is the fact that 25% of those chains that do not now offer stamps have done so at some time in the last five years. Plainly, the trend is in the direction of the price-oriented promos.

What about the pricing structure itself? Here, too, change is evident. All of the chains responding to the study carry national brands and private label, which is only to be expected. What's interesting is that more than two-thirds also carry generics, 60% have some packer label items and roughly half are involved in a controlled label program. Thus, even patrons of so-called conventional supermarkets will often have three of four different price points to choose among in most major dry grocery categories.

Although brand merchandise is still doing the lion's share of the business—and there's no reason to think this will change in the foreseeable future—private label and generics are combining for a larger share of the total pie these days. Whereas brands have historically accounted for roughly 80% of store sales, the current figure is a little under 75%. This can be expected to diminish further, if generics slice of the business achieves the 9% share many are predicting by 1985. ☐

—**Arnie Katz**

Fighting the warehouse store invasion

The prospect of a warehouse supermarket opening down the street is enough to give any manager a few nightmares, as he watches the bricks go up and ponders a potential plunging line on the sales chart.

What else is there to do except throw yourself on the meat saw? Plenty, if one follows the old adage that the best defense is a good offense.

In Kearny, N.J., when Grand Union got ready to open one of its BASICS Food Warehouse units barely two blocks away from Tully's ShopRite, even the most optimistic of ShopRite management was getting ready for a $100,000 drop in volume, or roughly 20% of the business.

It wasn't the first time this Wakefern cooperative member has knocked heads in a marketing war. The last challenger, Two Guys, was just closing up shop as BASICS put on the finishing touches.

But the approach to BASICS would have to be different.

ShopRite managers began sizing up BASICS weeks before it opened, visiting an existing unit in nearby Hackensack and noting its strengths (produce), weaknesses (variety, deli-bakery) and effect on the marketplace.

Several weeks before the opening, Wakefern dropped the Kearny store into its lowest price zone. Merchandisers began sharp-shoot-

As supermarkets claim a larger part of paperback sales, retailers and publishers must learn each others' business to maximize profits.

Now in paperback: 'Top chains'

If there's one thing supermarketers, wholesalers, national distributors and publishers agree on, it's that paperbacks probably have more potential in supers than any other nonfoods category. The only problem is making them live up to it.

It can be done. One way is through the bookstore-within-a-store concept. Books claim about 70% of sales in these complete departments, as compared to 20% in a Family Reading Center. Shoppers are attracted to the bookstore by its visual impact, and feel free to stop and browse a bit. And, of course, paperbacks provide higher profits than do magazines.

The bookstore idea is catching on in virtually every part of the country. Safeway features one in its giant Greenbelt, Md., unit. A spokesman for the chain's Washington division says results since the store's January opening have indicated that books have a definite place in supermarkets. "We're putting large book shops in our newer stores," he says, pointing out that "it comes in with the one-stop shopping concept."

Kroger is testing the concept in a unit in southwest St. Louis County. The 1,000-sq.-ft. department includes about 50 ft. of paperbacks.

In the Northeast, Pathmark has brought the Barnes and Noble discount book chain into several units. The Barnes and Noble sections stick close to the look of the book chain's own stores.

Other chains jumping on the bandwagon include Schwegmann's, Kohl's and Furr's. The retailer that blazed the trail to inspire much of this activity is Virginia's Farm Fresh. How did they overcome the difficulties many claimed—and still claim—were insurmountable?

First, chain executives had the benefit of working with an aggressive and thoughtful wholesaler, ARA. And ARA was dealing with people flexible enough to take advantage of their expertise. In short, there was communication.

The results—an estimated 5% of store volume—have been so impressive that they've generated increased enthusiasm for paperbacks in supers across the entire distribution chain. Unit sales of softcovers have been flat in conventional outlets, with the only growth coming from price hikes. This is particularly dangerous, however, with an impulse item like paperbacks. "There are fewer multiple purchases because of the economy," says Jim Mayor, vice president and director of chain marketing sales for Hearst's ICD. "Most retailers find customers looking for quality and value, and being more selective because of diminishing purchasing power."

Average linear feet devoted to paperbacks by territory
(chains over $1 million average volume)

	1978	1979	1980
Total U.S.	60 ft.	60 ft.	70 ft.
New England	32	45	86
Metro New York	55	52	56
Mid-Atlantic	67	52	63
East Central	62	57	52
Metro Chicago	78	65	80
West Central	52	65	77
Southeast	44	42	55
Southwest	45	59	68
Metro Los Angeles	81	71	63
Rem. Pacific	105	91	105

Source: A. C. Nielsen

One answer to the problem is to broaden the sales base. If more people are buying books, it doesn't hurt so much when each one buys fewer titles now than several years ago. And supermarkets are doing just that.

Studies show that a hefty proportion of supermarket book buyers never purchased a book before in their lives. "Not everyone feels comfortable walking into a bookstore," points out Ken Kaye, director of ID sales for Pocket Books. "If supermarkets had not had them displayed, many books wouldn't have been bought."

"Supermarkets make it easier to buy books," agrees Dave Abramowitz of national distributor Kable News.

"There's a bigger untapped audience in supermarkets than anywhere else," adds Dinny Zimmerman, president of Playboy Press.

So to a large extent, supers aren't competing with the bookstore in the mall—they have a built-in audience all their own. And the benefits to the retailer? "Turn is rapid, they take up very little space and they don't go bad," summarizes Walter Meade, president of Avon books. And margins are very good indeed—about 30%-40%.

Obviously, a supermarketer can't just throw a bunch of racks into a corner and make his fortune. The bookstore department, for example, definitely requires attention on a daily basis from store personnel. But the evidence is clear that a retailer and wholesaler working together to determine the best department size, mix and placement can work wonders.

As Ralph Arnote, vice president, wholesale sales, Ace Books, says to chain buyers, "There's tremendous profit there if it's handled right. If you want the business, talk to your wholesaler. He wants the business, too." ☐

Average linear feet per store—selected product groups
(chains over $1 million average volume)

	1978	1979	1980
Sporting goods	22 ft.	15 ft.	11 ft.
Toys	65	58	69
Photo equipment	24	22	29
Records & tapes	16	15	28
[redacted]	[redacted]	[redacted]	[redacted]
Stationery & school supplies	64	68	79

Source: A. C. Nielsen

Trade books: trading in on trading up

Trade paperbacks, the fastest-growing category in bookstores for the past decade, are finally making inroads in supermarkets. Softcover books that are usually smaller than hardcovers, but larger than traditional paperbacks, trades feature higher-quality paper, binding and typeface. They're also high-priced, ranging from $4.95 to as much as $9.95.

Although trade books are often original nonfiction publications, frequently of the "how-to" sort, more and more are original novels. In addition, many best sellers are now appearing as trades long before they hit the racks in the traditional paperback style.

Why the big surge? One frequently given reason is the increasing price of hardcover books. With hardcover costs soaring, consumers looking for a publication of higher quality than conventional paperbacks are turning to trades, which sport price tags similar to those found on hardcovers some 10 years ago. Another reason may be that many young adults are simply accustomed to paperbacks, having grown up on them.

"There's a whole generation of people who have never had a hardcover since they left school—and probably used many paperbacks even then," says Larry Gershel, vice president and director of marketing for the New American Library. "But as they get older and acquire a home, they hit a middle ground. Hardcovers may still seem an insane expenditure, but they want something a little nicer than a regular paperback."

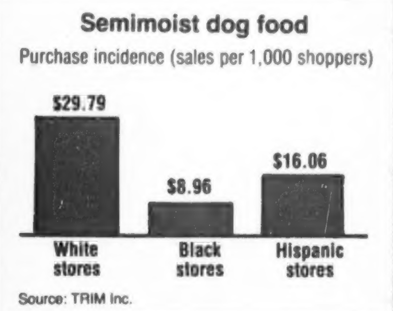
"There are also many people who don't want to wait for the mass-market version of a hardcover," he adds.

What are the benefits of carrying trade paperbacks in supers?

HARLEQUIN ROMANCE
HARLEQUIN ROMANCE
WEIGHT WATCHERS
PROGRAM COOKBOOK

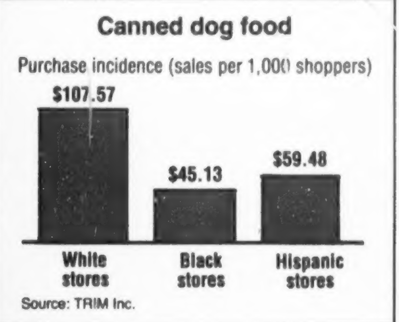
Trades are hottest part of the category today, but supers often give them short shrift.

Some dog food stats to chew on



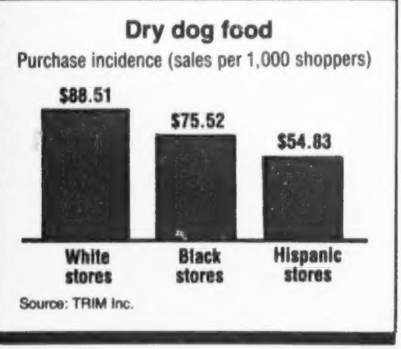
Semimoist dog food
Purchase incidence (sales per 1,000 shoppers)

Source: TRIM Inc.



Canned dog food
Purchase incidence (sales per 1,000 shoppers)

Source: TRIM Inc.



Dry dog food
Purchase incidence (sales per 1,000 shoppers)

Source: TRIM Inc.

Although the beat of the generics drum is getting louder in many categories, it is muffled in dog food sales.

Analysis of TRIM scanner data from four chains, located in the West, East and Midwest, reveals that generics register 3.8% of dog food sales. Generic dry (carried by only one of the four chains) accounts for 0.47% of dry dog food sales. None of the stores stock generic semimoist.

Delving deeper into dog food's performance, TRIM studied the demographic/ethnic data of one chain. Three groups of stores, with seven in each group, were selected. Stores were chosen because their customers are predominantly white, black or Hispanic.

The following purchase patterns emerged:

In both Hispanic and black stores, the purchase incidence (dollar sales per 1,000 shoppers) is significantly lower than in white stores—$225.9 for white stores vs. $129.6 for black and $130.4 for Hispanic.

White shoppers have 40% higher incidence of purchase than Hispanics, blacks

This disparity could be due to one of three things: lower income of shoppers in ethnic stores; number of dogs in each household; or the practice of feeding pets table scraps.

However, the 40% lower purchase incidence is not the same for the three categories (dry, canned, semimoist).

In both canned and semimoist, purchase rates are significantly higher for white stores, as compared to black and Hispanic.

In canned, the purchase incidence of whites is $107.57 vs. $59.48 for Hispanic and $45.13 for black. In

Chain-by-chain analysis

	Chain A	Chain B	Chain C	Chain D
Canned dog food				
Purchase incidence	$73	$36	$45	$37
Items carried	62	44	52	38
Average price/ounce	2.5¢	2.7¢	2.3¢	2.6¢
Dry dog food				
Purchase incidence	$60	$53	$94	$46
Items carried	60	40	74	56
Average price/ounce	2.6¢	2.2¢	2.3¢	2.5¢
Semimoist dog food				
Purchase incidence	$24	$26	$28	$11
Items carried	19	25	21	17
Average price/ounce	4.4¢	3.9¢	4.5¢	3.0¢
Total dog food				
Purchase incidence	$157	$115	$167	$94
Items carried	141	109	147	111
P.I./item	$1.11	$1.06	$1.14	$0.85

Based on 52 weeks of data

Source: TRIM Inc.

Share of canned dog food sales

	Relative price	White stores	Black stores	Hispanic stores
Brand A	1.2%	40.1%	31.2%	33.6%
Brand B	1.1	12.5	13.9	14.0
Private label	0.7	11.9	21.8	17.2
Brand C	1.7	11.1	8.7	12.1
Brand D	1.2	9.9	3.7	6.1
Brand E	0.8	7.7	15.7	9.8
Generics	0.6	*	*	*

The data shown represent 24 weeks of data through March 1981.

*No ethnic data available

Source: TRIM Inc.

Share of dry dog food sales

	Relative price	White stores	Black stores	Hispanic stores
Brand A	1.0%	47.6%	48.0%	47.6%
Brand B	1.0	16.0	12.7	12.6
Brand C	1.0	12.0	10.6	12.7
Brand D	1.0	5.9	4.8	4.3
Private label	0.6	5.6	11.6	7.7
Generics	0.5	0.5	1.6	0.7

Source: TRIM Inc.

Canned dog food

Manufacturer/brands	Dollar share	Dollar P.I.	Price per ounce	Chains
11132—Alpo	12%-33%	$5-$15	2.4¢-2.7¢	4
23100—Kal Kan	5 -34	2- 25	2.5 -2.9	3
30000—Tender Chunk Ken-L-Ration	2 -17	5- 7	2.1 -3.0	4
43000—Cycle	7 -11	2- 7	2.8 -3.0	4
50000—Friskies Mighty Dog	12 -28	4- 11	3.5 -4.0	4
Private label	3 -13	1- 10	1.5 -1.9	4

The data shown represent the range of chain averages for a 52-week period through June 1981. The manufacturer code of the UPC was used to create the manufacturer/brand totals.

Source: TRIM Inc.

semimoist, the purchase incidence in white stores is $29.79, vs. $16.06 for Hispanic and $8.96 for black.

In dry, the gap narrows: white, $88.51; black, $75.52; Hispanic, $54.83. Cultural differences may have been an influencing factor here, but more than likely the cause was income-related.

The greatest purchase incidence differences are in the highest-priced semimoist category (4.4 cents per ounce), compared to the lowest price (2.5 cents per ounce for canned). Again, the difference could be attributed to lower-income levels among nonwhite customers.

As for brands purchased by the three groups of shoppers, the major national canned brand (Brand A) is dominant in all three ethnic store groups, although white stores lead with 40.1% share. However, Brand A's share of canned dog food sales in black stores is 33.6%, which is slightly more than three-fourths of that in white stores.

An apparent inconsistency is evident in the highest-priced brand of canned (Brand C), with Hispanic stores topping whites (12.1% to 11.1%) in share of sales. Undoubtedly this is due to hard-core pet owners who, regardless of income, buy the top of the price line.

In the dry dog food category, the leading manufacturer (Brand A) maintained a consistent share of market in ethnic stores (47.6% white; 48.0% black; 47.6% Hispanic). However, two other brands fell off in purchase incidence in both Hispanic and black stores.

Private label, with the lowest price per ounce (except for generics) captured a relatively small share of the dry market. But private label's share in black stores (11.6%) was much higher than Hispanic (7.7%). Generics scored highest in black stores (1.6%), followed by Hispanic stores (0.7%) and white (0.5%).

The foregoing data represent a 24-week period, through March 1981. Since then, the industry has witnessed a proliferation of volume for many generic categories.

Which leads to this caveat: Don't underestimate the power of generic dog food. It has two lures in today's price-conscious retail environment: good margins and good volume. Can the extra shelf facings be far behind?

Fisher earnings show dramatic rise

Fisher Foods produced earnings a whopping 80% above last year's figures for the first half of fiscal 1981. Sales for the same period ended June 20, 1981 climbed 10.5% to hit $690,619,000.

Chain executives credited the rise in net income to "efforts to reduce expenses and improve productivity." Steps such as forward buying, installation of scanners and more attention to human resource development were cited as making strong contributions to the bottom line.

The chain plans to add two units in Chicago this year, after opening two new Dominick's supers there in the second quarter. Ten more stores are scheduled to be remodeled and scanners added to nine locations.

Fisher has also added to its legal defense fund, hiking it from $250,000 to $1,000,000. The chain is facing a Federal antitrust suit and three class action cases.

Allied continues on recovery trail

Allied Supermarkets has logged another profitable quarter on its road back from bankruptcy. The Michigan-based chain, which has been operating as a debtor-in-possession since November of 1978, reported a net income of $1,790,000 on sales of $141,505,000.

Although this is a considerable dip from fiscal 1980's $19,146,000 income for the comparable period, that figure reflected extraordinary items, including a gain of $18,064,000 resulting from debt cancellations.

Kroger logs solid first-half figures

The Kroger Co. recorded a sales jump of 13% during its first half ended June 20, along with a profit increase of 14%. The nation's second-largest supermarket chain had sales of $5,071 billion, $534 million more than in fiscal 1980's first six months, and net earnings of $45 million on a LIFO basis.

Chairman Lyle Everingham attributed the results to the good performance of the company's supermarkets and the cost of modernizing the SupeRx drug stores. These costs were felt more in the second quarter, when earnings rose only 6%. However, Everingham pointed out that the quarter was being compared to the "exceptionally good" second quarter of fiscal 1980.

Kroger stores in the Indianapolis area are being hit by a strike that started in the last week of the second quarter. Most of the stores affected are open, but the third quarter should show what effect the action has had on the company.

In the first half of this year, Kroger opened 49 new supers and remodeled 21. Sixty-one more new units are scheduled to be added in the next six months.

Triple coupons hurt Star profits

Star Supermarkets felt the effects of Rochester's triple-couponing wars in its second quarter and first half of fiscal 1981. Although the chain reported a rise in sales, $130,251,157 for the first 24 weeks as compared to $121,457,590 for the same period in 1980, net income faltered. Profits hit only $838,991, down 14% from the $975,552 logged in the first half of fiscal '80.

Management reports that it is confident that third-quarter results will outshine those for the corresponding quarter a year ago. Backing up its positive statements is the expansion of one unit and the construction of a new store to replace two outmoded outlets nearby. The new unit is being financed by a UDAG grant and Industrial Revenue Bonds in conjunction with Star's capital.

Supermarket Financial Scoreboard

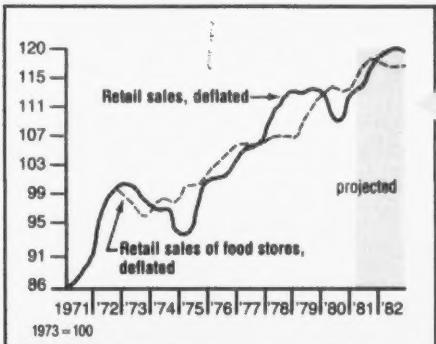
Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
Cullum Cos.	Year	6/27	$ 974,934,000	13	$13,645,000	21.0	1.40
Allied	9 mos.	4/4	465,976,000	16	4,082,000	(−72.0)	0.88
Bozzuto's	9 mos.	6/6	101,200,000	0	231,692	(−29.0)	0.23
Mayfair	9 mos.	5/30	220,900,000	5	436,835	(−14.0)	0.19
Big V	6 mos.	6/27	21[illegible],354,575	12	2,494,668	51.0	1.16
Fisher Foods	6 mos.	6/20	690,619,000	10	3,573,000	80.0	0.52
Kroger	6 mos.	6/20	5,071,000,000	13	45,000,000	14.0	0.89
Mott's	6 mos.	7/4	144,379,048	13	2,304,816	62.0	1.60
Star	6 mos.	6/20	130,251,157	7	838,991	(−14.0)	0.64
Waldbaum	6 mos.	6/20	631,815,000	14	3,431,000	(− 4.0)	0.54
Weis Markets	6 mos.	6/27	371,962,000	13	18,213,000	16.0	4.90
Super Valu	3 mos.	6/20	1,365,421,000	17	18,053,000	19.0	1.32
Wetterau	3 mos.	6/27	463,347,000	37	2,571,000	(−19.1)	0.55

Figures in parentheses denote a loss

Source: CSA Research

L/F ECONOCYCLE

Supers head for 4% Sept. gains



Food stores

	Sales change by quarter								12-month % change		
	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81 1Q %	'81 2Q %	'81* 3Q %	'81* 4Q %	'79 %	'80 %	'81* %
Sales include inflation	11.0	10.3	11.2	10.6	10.5	11.3	8.8	8.4	12	11	10
Real sales (deflated)	5.8	4.9	2.0	– 0.3	– 1.4	0.5	2.7	5.9	2	3	2

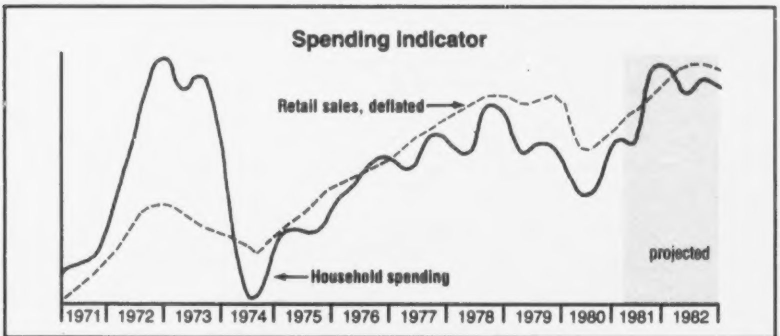
Base = May 1981 sales
*Projected

Supermarket and grocery stores are beginning to visibly resist general downswings in the overall retail economy with positive sales trends that are expected to prevail well into the last quarter of 1981.

September sales (previously forecast for a 3%-plus increase) are now expected to jump 4.5%, helping push second-quarter gains to near –3%, according to L/F Econocycle projections.

Over the next few months, in fact, the L/F computer model expects food outlets to begin outstripping overall retail trends for the first time in more than three years.

Spending indicator



Sales/include inflation
% change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliances	Apparel	General merchandise	GAF
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	– 8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	– 9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	– 1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q	10.2	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.7	11.3	10.7	17.5	9.9	9.8	9.6	12.5	11.3
	3Q*	11.5	8.8	10.9	15.3	8.7	9.2	10.3	10.9	10.4
	4Q*	10.9	8.4	8.9	6.1	5.7	9.5	10.0	7.3	8.3
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	7.0	9.0	10.0
	1980	7.0	11.0	9.0	– 3.0	12.0	5.0	5.0	6.0	5.0
	1981*	11.0	10.0	9.0	12.0	9.0	9.0	10.0	10.0	10.0

Real sales (deflated)
% change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliances	Apparel	General merchandise	GAF
1980	1Q	– 1.2	5.8	– 0.0	– 2.6	3.8	4.9	– 1.4	1.9	1.8
	2Q	– 5.0	4.9	– 0.1	–17.6	2.0	– 3.4	0.5	– 2.4	– 2.0
	3Q	– 4.2	2.0	– 0.9	–18.5	0.5	– 5.8	– 0.2	– 3.4	– 3.3
	4Q	– 2.9	– 0.6	– 1.8	–10.4	3.9	– 1.1	1.5	– 2.0	– 1.1
1981	1Q	0.7	– 1.4	– 2.1	– 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	4.0	0.5	1.5	8.9	0.7	4.3	5.2	6.0	5.5
	3Q*	4.4	2.7	2.5	7.0	1.1	4.1	6.8	5.3	5.4
	4Q*	5.3	5.9	1.4	1.7	–0.6	2.5	7.3	1.6	3.0
% change 12 mos.	1979	1.0	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980	– 3.0	3.0	– 0.7	–12.0	2.0	– 1.0	0.1	– 1.0	– 1.0
	1981*	4.0	2.0	0.8	3.0	0.4	3.0	6.0	3.0	4.0

Base = May 1981 sales
*Projected

Total retail sales for September should move ahead 5% plus, but dramatic slowdowns in key sectors (drug, food service, home building) have trimmed expectations for third-quarter gains to roughly 4% plus. (Earlier figures projected solid 6% gains in the total retail charts.)

The L/F Econocycle projection for the third period has been revised upward for supermarkets to 2.7%, from previously reported 1.5% levels.

Grocery and supermarket outlets are moving against the overall retail grain with strong (near 6%) gains expected in October and November (plus 6%).

Long-range, in fact, supermarkets are heading for roughly a 6% sales increase for the coming fourth quarter (charts above).

Other retailers on a strong track heading into September:

- Apparel specialists, projecting a 7%-plus gain—and moving into a higher rate-of-gain as the year ends.
- Discount stores, now projecting a 6.2% gain for September.
- Department stores, counting on a 5% September gain and pushing into the final months with similar strength.

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.

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Windy City shoppers display super loyalty
High-style retailing comes into vogue

Chain Store Age Supermarkets

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PLUS SUPER: THE ANSWER TO A&P'S WOES?

Chain Store Age Supermarkets

October 1981

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EXPRESS CHECKOUT

DiMatteo buys back Dominick's

Feisty Dominick DiMatteo Jr. will soon be the owner of the chain he sold to Fisher Foods in 1968. The beleaguered Fisher chain, which has agreed in principle to sell DiMatteo the highly profitable Chicago Dominick's division, will have its ailing coffers sweetened by a cool $120 million.

The sale comes at a propitious time for Fisher. Currently under Federal indictment for price-fixing, the chain was hurt badly in recent years by a failed West Coast expansion move, intense market competition in Ohio where its stores are based and an ill-fated warehouse store venture that added $5.3 million to a total deficit of $7 million in 1979.

It was a different picture entirely in 1968 when DiMatteo sold his stores to Fisher. Fisher was an extremely successful, rapidly expanding operation, while Dominick's was a mere 18 stores and in need of the type of corporate financing Fisher could provide.

But things changed. As the success of Fisher's Fazio's stores waned, Dominick's grew to 71 stores —nearly half of Fisher's total—and prospered. In time, Dominick's became Fisher's most successful operation, leading them out of the red in 1980 for the first time in two years.

Fisher may have been induced to give up its cash-cow by the largesse of the $120 million figure, an amount a spokesman calls "a significant premium above present book value."

Fisher expects the transaction to be completed in the next few weeks, assuming details for financing are worked out. The sale will leave Fisher with 72 units, all in Ohio.

Brokers concentrate on retail sales

More brokers sell to retail outlets than to food service, by the narrow margin of 85% to 81%, reports the National Food Brokers Association. The information is based on analysis of the group's 2,500 members as listed in its 1981-82 directory.

Private label products are also frequently handled by brokers at the present time, with approximately three out of four brokers reporting that they do some PL business. Other frequently handled categories are frozen foods (75%), general merchandise (72%) and dairy/deli (62%).

The latest directory is available from the NFBA Business Development Dept., Washington, D.C.

Frozen foods top list of brokered products

Item	% of brokers carrying
Frozen foods	75%
General merchandise	72%
Dairy/deli	62%
H&BA	48%
Confections	47%
Meat	43%
Produce	24%
Alcoholic beverages	3%

Source: NFBA

New Manchester complex houses frozen food and grocery warehousing facilities.

Schnuck's completes expansion program

A three-year renovation program aimed at upgrading chain warehousing facilities has reached fruition at Schnuck Markets, Bridgeton, Mo. The multiphase plan includes a major addition to the Bridgeton Grocery Distribution Center, purchase of the Manchester storage facility and installation of new selecting and loading equipment in the operation's dry grocery, frozen food and perishables warehouses.

A 155,000-sq.-ft. addition increases the grocery distribution center to 285,000 sq. ft. However, since the enlargement is 6 ft. taller than the original building, it effectively doubles the center's holding capacity.

Productivity at the grocery facility also got a boost from installation of a Rapistan conveyerized system. Not only will the set-up improve efficiency, but it will result in full shelves in the stores as a result of halving the interval between ordering and actual delivery of product.

The Manchester frozen food storage center includes three massive freezer/coolers and numerous small refrigerated rooms. The largest of the freezers has a capacity of 1 million cu. ft. and sprawls across an acre of land. The facility also includes a state-of-the-art batch selection system that permits the warehouse to pick orders for four supermarkets at the same time.

Another highlight of the program is a Cartrac mechanized materials handling system in the perishables warehouse in Bridgeton.

Carlis of Pantry Pride dead at 53

Herbert A. Carlis, former president of the supermarkets division of Pantry Pride Enterprises Inc., died last month, apparently by his own hand. He was 53.

Authorities said Carlis hanged himself from a sundeck in the yard of his Phoenix, Md., home.

His last job with the company was as president of the defunct Baltimore division, which was shut down in August because of "the unlikelihood that it could become profitable in the near term." Carlis took the position last year at the request of Pantry Pride management, having served as vice president of the division from 1971 to 1975.

At the time of his death, however, Carlis had purchased four of the shuttered stores in Delaware and was in the process of reopening them.

A 30-year chain veteran, Carlis joined Pantry Pride, then known as Food Fair Inc., as a clerk in 1951 and rose through the ranks. He was named president of the Pantry Pride supermarket division in 1980.

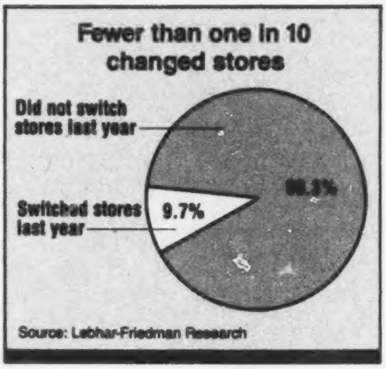
He also served as vice president for the Jacksonville region, Richmond/Norfolk zone manager, district manager and store manager.

CSA Survey: Loyalty runs high

Jewel/
Grand
Bazaar

Say "Chicago" to most knowledgeable supermarketers, and it generally conjures up an image of a retailing battleground. That has certainly been true in the past, as such former Second City powers as National could surely testify.

Right now, however, the area's retailing scene is in a bit of a lull. The competitive storm may blow up again soon, in light of A&P's recent competitive thrust, but right now few Chicagoans are playing "musical stores."


Fewer than one in 10 changed stores

Source: Lebhar-Friedman Research

Fewer than one out of 10 area residents participating in the study changed their favorite store during the preceding 12 months. That's one of the highest loyalty scores for any major market in the country.

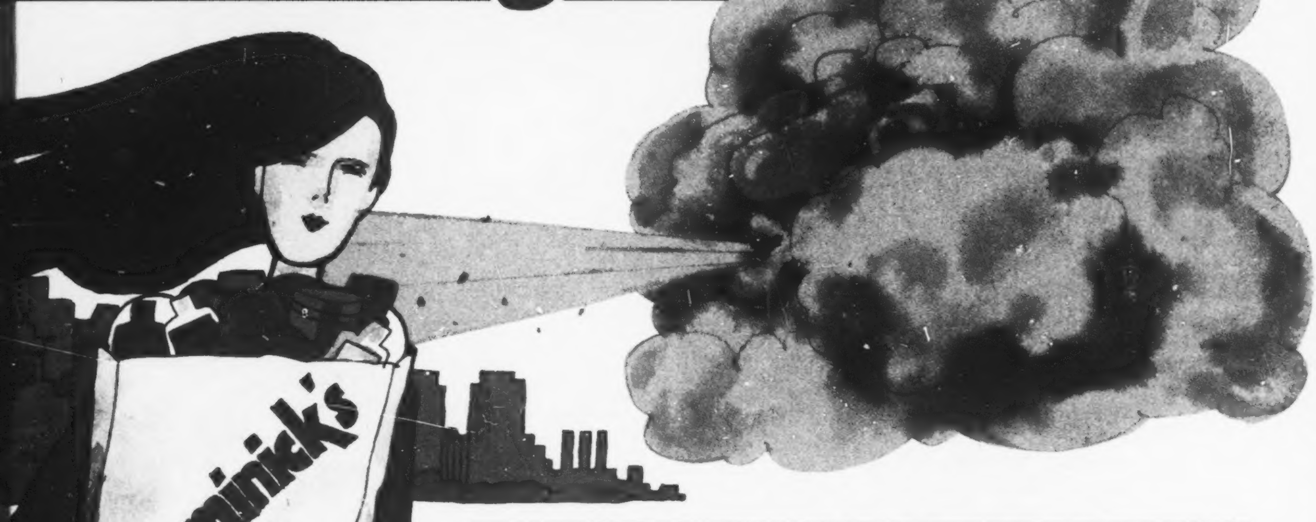
Rather than switching favorite supermarkets, those customers who aren't entirely satisfied are electing to spread purchases around among several competing outlets. Though 44% do their major marketing with a single operation, most folks in Chicago are buying at two or even three supers. About twice as many shoppers report that they are patronizing more different supermarkets today than a year ago as claim that they are buying at fewer units in 1981 than in 1980.

Even so, a surprising number of area shoppers haven't sampled all the major local retail operations before settling down with one or two of them. Approximately 95% have tried Jewel Food Stores/Grand Bazaar, 90% have shopped at Dominick's and 71% possess firsthand knowledge of A&P. The figures are appreciably lower for some of the other food merchants. About two Chicagoans in five have done business at one of the members of the Certified Food Stores Cooperative, and 32% know about Eagle. Yet only 18% are familiar with Kohl's, 14% know Butera's and just 11% are conversant with shopping at a unit served by the Central Food Stores co-op.

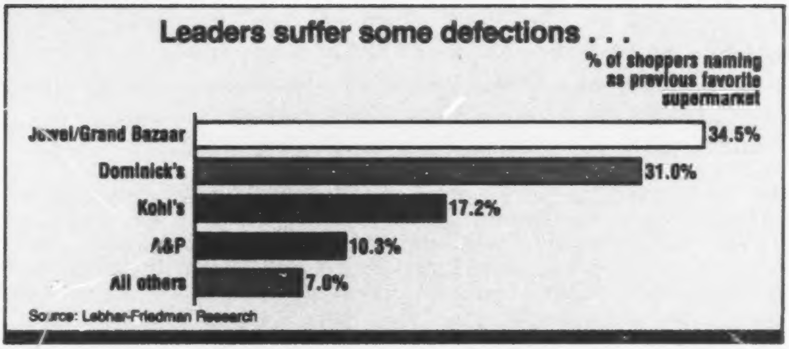
Obviously, some of these operations should be considering advertising to improve their visibility on the local scene and induce potential patrons to make a trial trip to their stores. Naturally, such programs would have the effect of heating up share-of-market rivalry and perhaps disrupting the current calm.

Why do people switch favorite stores in Chicago? Price is the single most frequent motivator, cited

in Chicago

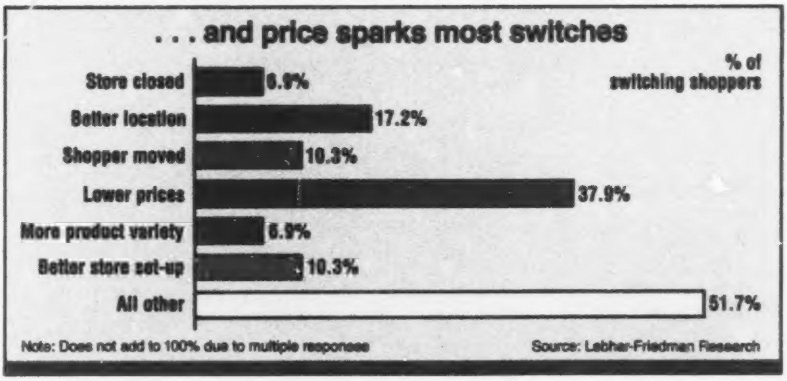


Leaders suffer some defections . . .



Source: Lebhar-Friedman Research

. . . and price sparks most switches



Note: Does not add to 100% due to multiple responses

Source: Lebhar-Friedman Research

Behind the study

This month Chain Store Age Supermarkets *presents the fifth installment of this year's six-part study delving into consumer attitudes. The final study will take the pulse of shoppers in Washington, D.C.*

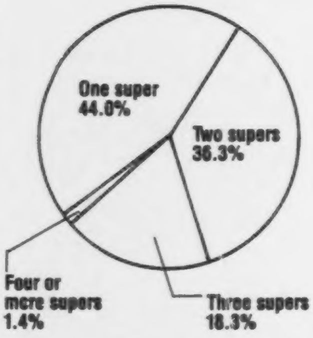
Each study is based on hundreds of telephone interviews conducted by Lebhar-Friedman Research, with this magazine's own research arm furnishing supplementary analysis of the extensive data generated by this examination into what shoppers are thinking and feeling.

by 37.9% of survey participants.

Rumors are rife about A&P's plans for its Chicago division. They range from a major expansion by the Tea Company to gossip that the Montvale, N.J., giant will soon be packing its bags. (The latter seems unlikely in view of A&P's recent warehouse store openings in the Windy City.)

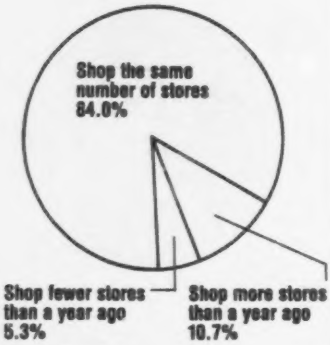
One good sign for A&P is that switching shoppers are coming into the fold a lot faster than they are slipping away to rival chains. Roughly 10.3% of shoppers who've switched favorite supers in the last year had previously marketed at A&P, but 17.4% of its current customer count is composed of people who have started watching their P's & Q's within the last 12 months. ☐

Most shop at least two supers



Source: Lebhar-Friedman Research

Shoppers spread purchases



Source: Lebhar-Friedman Research

Jewel's lead tied to variety, convenience

Jewel Foods Stores, with over 200 units in the Chicagoland area, still enjoys a commanding share-of-market lead over all of its food retailing rivals in the Second City. The chain has captured 37% of total sales, compared to 23% for runner-up Certified Food Stores and third-place Dominick's with 16%.

Yet the latest installment of the *CSA Supermarkets* Consumer Attitude study clearly shows pockets of strong loyalty to Dominick's. A little over 40% of the survey respondents claim that they do the bulk of their food marketing at one of the 73 supers the Fisher Foods division operates in the metro Chicago area.

How to explain this seeming discrepancy? The powerful lure of one-stop-shopping convenience may hold the key. While only about one-third of Dominick's' patrons do all their major food day buying at that chain's stores, splitting their purchases among other area retailers, more than half of all those who shop at Jewel do so on pretty much of an exclusive basis.

Jewel noses out Dominick's
(Ranking in order of shopper satisfaction)

	A&P	Central Food Stores	Certified Food Stores	Dominick's	Eagle	Jewel/ Grand Bazaar
Fast checkout	6	5	4	1	3	2
Cleanliness	6	4	5	1	3	2
Convenient location	5	6	4	2	3	1
Helpful workers	6	5	3	1	4	2
Low everyday prices	4	6	5	2	1	3
Ad specials	4	6	5	1	3	2
Variety & quality of private label	5	4	6	2	3	1
Variety & quality of national brands	5	6	4	1*	3	1*
Variety & quality of generics	4	5	6	3	2	1
Quality meat	5	6	3	2	4	1
Quality produce	6	4	5	2	3	1
Selection of general merchandise	5	4	6	1	3	2
Selection of H&BA	4	5	6	2	3	1
Averge ranking	5.0	5.1	4.8	1.6	2.9	1.5

Source: Lebhar-Friedman Research *Indicates a tie

(It should also be noted that Dominick's supermarkets are not evenly spread throughout the Chicago area surveyed by Lebhar-Friedman. Thus, it is possible that the study snagged an unusually high percentage of that chain's customers.)

Well-heeled shoppers show a definite preference for Dominick's. More than half of those with annual incomes in excess of $30,000 tap it as their favorite chain. Dominick's also corrals 47.4% of those shoppers under 35 years of age and 45.2% of those who are presently employed.

Dominick's gets high marks from its regular patrons in a variety of areas, finishing only an eyelash behind Jewel in overall customer satisfaction. Among its principal strengths are fast checkout, clean stores, helpful workers, hot ad specials, a good selection of national brands and a wide assortment of general merchandise. The Fisher Foods division led the city's supermarketers in all these categories. Dominick's also notched second-place finishes with respect to the convenient locations of its stores, low everyday prices, the quality and selection of its private label, its strong meat and produce departments and the fine job it does with health and beauty aids.

Convenience-oriented shoppers show a strong preference for Jewel's conventional supermarket and Bazaar stores. Nearly 40% of all confirmed one-store shoppers do business at Jewel.

Although Jewel received good grades for store location, helpful workers and fast checkout, the chain really shines when it comes to the quality and variety of products it sells. Jewel tied for first with Dominick's as the best national brand source, but also placed first with both its private label and generics offerings. Jewel has beefed up the latter program quite substantially over the last year, partially in response to competition from limited assortment stores like Aldi's (and its own No Frills and Jewel T), which are quite popular in the Second City. Jewel/Grand Bazaar also field the best meat, produce and H&BA sections in the city according to the study.

Although Jewel can count only about one in five upper-income families among its regular patrons, the chain more than makes up for this with its strong appeal to middle- and lower-income families. Approximately 37% of the former and 35% of the latter pick Jewel/Grand Bazaar as their favorite food retailer.

Kohl's, on the other hand, does better with the younger shoppers than with just about any other demographic group. The Wisconsin-based operation has 7.1% of the shoppers under 35—more than any other Chicago retailer except Jewel and Dominick's.

A&P, reportedly in trouble in Chicago as it is in a number of other cities across the country, sports an all-too-familiar Tea Company shopper profile in its Chicago division. It does best with the unemployed (10.1%), the poor (16.2%) and the old (14.1%), and worst among the young (4.2%), the middle-income group (4.3%) and singles (5.1%). ☐

Dominick's top choice of 40%

Operation	% naming as favorite supermarket
Dominick's	40.3%
Jewel/Grand Bazaar	30.0%
A&P	7.7%
Eagle	3.3%
Butera's	3.3%
Central Food Stores	1.7%
Certified Food Stores	1.3%
All other	12.4%

Source: Lebhar-Friedman Research

Clean stores draw customers

	Extremely important	Very important	Somewhat important	Not too important	Not at all important	No answer
Fast checkout	27.7%	43.0%	19.7%	8.0%	1.6%	—
Cleanliness	41.0	46.7	9.3	2.0	0.7	0.3
Convenient location	38.7	40.7	18.0	2.3	—	0.3
Helpful workers	15.7	38.3	27.0	11.7	7.3	—
Low everyday prices	38.7	40.3	15.0	3.7	2.3	—
Ad specials	20.0	33.7	25.7	13.7	5.7	1.2
Variety & quality of private label	12.7	26.0	33.0	18.0	10.3	—
Variety & quality of national brands	15.3	38.3	29.3	12.0	5.0	—
Variety & quality of generics	9.3	19.7	26.0	20.7	24.0	0.3
Quality meat	39.0	38.7	5.7	3.0	11.6	2.0
Quality produce	43.0	44.3	6.3	2.7	3.0	0.7
Selection of general merchandise	17.0	29.7	20.7	20.7	11.9	—
Selection of H&BA	2.0	[illegible]	25.3	31.0	33.3	0.7

Source: Lebhar-Friedman Research

More shopping trips mean smaller tapes

The typical Chicago supermarket patron spends $57.30 on the major food shopping day. This is actually a fairly modest total compared to the other cities *CSA* has studied this year.

The main reason for the lower receipt tapes is that Windy City residents make more trips to the store each week than is the norm in other market areas. This of course substantially reduces the amount spent on any single visit to the store.

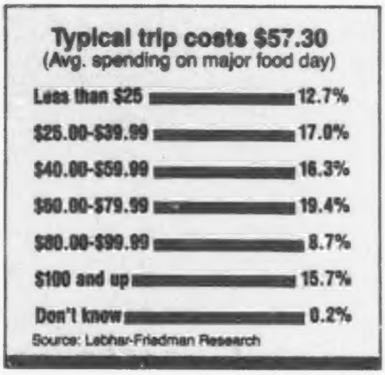
Chicagoans make approximately 1.7 additional trips per week. The total average tab for supplemental shopping is $25.60.

So-called big spenders—those who fork over $100 for groceries on major food day—account for slightly less than 16% of the population. A&P (21.7%), Eagle (20.0%) and Central Food Stores (20.0%) have the greatest proportion of big spenders. Among the majors, Dominick's (16.5%) and Jewel (14.4%) appear to attract the fewest of these upscale consumers.

Which retailer pulls in the greatest number of big spenders? That depends on the method used to analyze the situation. The mean (arithmetical) average shows A&P with the highest major shopping day customer transaction, $63.60, followed by Dominick's ($58.90), Eagle ($58.50) and Jewel ($55.00). On the other hand, if median average is considered, the chains stack up as follows: Dominick's, $56.50; Jewel, $55.60; Eagle, $54.90 and A&P, $48.20.

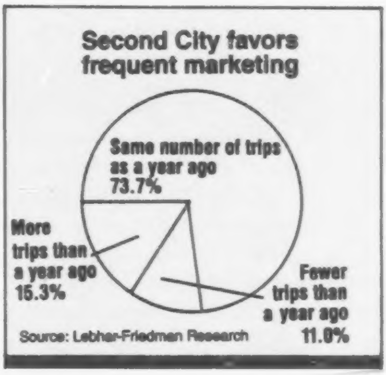
More than one major shopping trip per week is fairly standard for Chicago consumers. The average is approximately three major shopping excursions every two weeks.

Naturally, this varies considerably by demographic category. For instance, under-35 shoppers are generally trying to hold the number down to about one trip a week, while it is nearly twice a week for those over 55 years of age.



Typical trip costs $57.30
(Avg. spending on major food day)

Source: Lebhar-Friedman Research



Second City favors frequent marketing

Source: Lebhar-Friedman Research

Thursday is the favorite time in the week to shop, the first choice of 26.7% of Chicagoans. Friday is second, with 15.0% of the weekly traffic, and Saturday comes in a strong third with 12.3%.

Women show a marked preference for Thursday—30.3% do their primary marketing on that day—while about one in six male customers takes care of grocery shopping on Saturday.

Although traffic at Jewel and Dominick's units pretty closely follows the overall market pattern, the same does not hold true for A&P. The Tea Company's biggest day is Saturday, when 21.7% of its patrons do the bulk of their marketing.

Windy City residents evidently like to get right to their chores early in the day, since morning marketing is extremely popular. Nearly 43% of all area consumers buy groceries at that time of day. A&P business day, in particular, is strongly skewed toward the a.m. hours. ☐

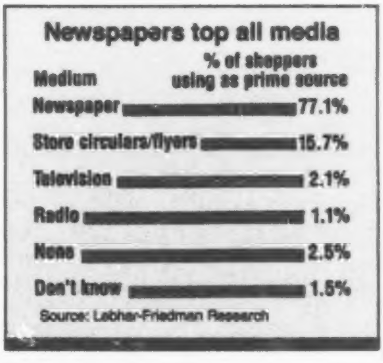
List-making: second nature in Second City

Making out a shopping list is virtually a must for most Chicagoans before they depart for their favorite supermarket. More than two-thirds—68.4%—always or frequently make a habit of doing so.

As previous studies have reported, men are far less likely to make up a list than are women. A little over 60% of male shoppers enter the store armed with a list, while more than seven out of 10 female shoppers always or frequently do so.

Shoppers 55 years of age and up, many of whom have fixed incomes, are the most devoted list-makers in this market area. More than three-fourths of them generally follow this practice. Interestingly, lower-income families, which would figure to be the most dedicated budget-watchers, are among the groups least likely to come to the store bearing a list. Approximately 63% always or frequently do so, but a hefty 24.3% never jot down their intended purchases.

Newspapers are by far the most important medium through which shoppers get supermarketing information. Nearly eight out of 10 consider newspapers their main data source, far ahead of store circulars and flyers, cited by 15.7%.



Newspapers top all media

Source: Lebhar-Friedman Research

Thus it comes as no surprise that most Chicagoans always or frequently scan the paper before heading to the store. Approximately 65.4% do so, while less than 18% skip the food sections.

Dominick's shoppers pay the closest attention of any store's patrons to newspaper advertising. More than 73% always or frequently checks the ads. Jewel/Grand Bazaar apparently gets the lowest readership, but the total of those who always or frequently read the paper is still a very healthy 56.7%.

Jewel customers are the city's most ardent coupon clippers, with 62.2% always or frequently cutting them out for use. (Coupons are always or frequently used by 59% of Chicago shoppers.) A&P shoppers go lightest on the cents-off chits, but even here a majority employs them on a regular basis.

Despite the prevalence of bonus couponing, the concept is still relatively new to most shoppers. Although 31.7% of those who watch for the super-coupons began the practice within the last 12 months, only one in four shoppers pays attention to which stores are engaging in bonus couponing. A majority of 51.3% claim to take no notice of them whatsoever. ☐

—Arnie Katz

Majority clip coupons

Activity	Always (4)	Frequently (3)	Sometimes (2)	Never (1)	Mean Avg.
Make shopping list	54.7%	13.7%	15.3%	16.3%	3.07%
Check newspaper store ads	49.7	15.7	16.7	17.9	2.97
Clip manufacturers coupons	44.0	14.0	21.7	20.3	2.82
Note radio & TV store ads*	13.0	10.3	36.7	39.3	1.97
Note stores offering bonus coupons**	17.0	8.0	22.3	51.3	1.91

*0.7% did not answer
**1.3% did not answer

Source: Lebhar-Friedman Research

Height of highbrow in Houston

***Customers have** front seats—literally—at the appetizer counter, where expensive specialties peek out from behind frosted glass.*

***Special orders** for "special" customers: a rule of thumb at Jamail's.*

ling in wine sauce and Saltimbocca Florentine from the deli/catering department draws the likes of Lady Bird Johnson and John Connally as well as everyday working folks.

There's a legion of experienced and friendly workers—150 of them, including 19 full-time butchers, 30 caterers and nine grocers (20 on weekends). Although labor accounts for 13%-14% of total operating costs, the unit's reputation for service is well worth it.

And then there are specialty service departments, including a butcher shop where 90% of the $80,000-$90,000 inventory is custom-cut. All of Jamail's butchers are former meat shop or meat department managers.

Jamail's philosophy: impeccable service, superior merchandise, inimitable style

The catering/deli department, which includes frozen entrees, brings in more than $2 million annually. The store's catering business, operated by Swiss-trained chef Rolf Meitler and staff, handles everything from boxed picnic lunches for two to banquets for 4,000.

Jamail's may give top service, but it gets top dollar, too. People don't mind paying as much as $2.85 for a box of succulent out-of-season strawberries flown in from New Zealand. Says Albert Jamail, "The markup doesn't hurt, providing that the merchandise is top-grade." He pegs produce sales at more than $4 million a year.

Jamail's tremendous volume allows the brothers to buy many fancy foods directly from the manufacturer at competitive prices. The surplus is stocked in the 18,000-sq.-ft. warehouse section of the 36,000-sq.-ft. building.

The store's success is even more striking when one considers the absence of merchandising displays, advertising budget and categorical organization in some of its departments. For example, spinach gnocchi is located between home-style bread and the cannoli in the frozen foods case, which has no signs or other indicators distinguishing one product category from another.

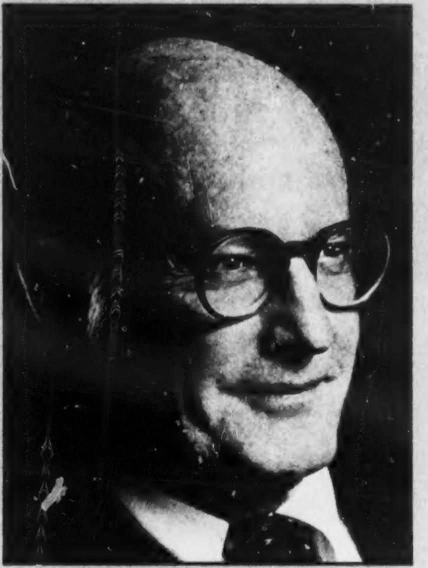
However, what the store lacks in merchandising strategy it makes up for in employee savvy. Experienced clerks walk customers to the items requested and anticipate questions.

"We look for people who're service-oriented," says Albert Jamail of the store's hiring policy. "A person who'll spoil the customer. . . ."

Will Jamail's open up a second store?

"No," says Albert, who dreams of tripling the store's selling area and adding new specialized departments for international sausage, homemade ice cream and candy, and an old-fashioned bulk gourmet shop complete with pasta, spices and olives. "Running one Jamail's is complicated enough. We'll concentrate on what we've always done best—providing the choicest quality and unbeatable service." □

1981 NIELSEN REVIEW
of Retail Grocery Store Trends



To our friends in the retail grocery industry:

The 1981 annual Nielsen Review of Retail Grocery Trends, the 46th consecutive issue, features a special chapter entitled "Scanning as a Research Tool." The article examines the types of questions *organized* scanning data can help answer for both the retailer and the manufacturer. It further provides illustrations based on recent scanning data to illustrate the text.

The Review, as in the past, provides a summary of retail grocery sales by store type and area, the progress of food away from home, some economic factors that directly influence the grocery business and a summary of new item introductions into supermarkets. This issue also covers the new shelf space studies relative to dry groceries, frozen foods and refrigerated foods. Also included is a summary of health and beauty aids as well as selected cosmetics.

We hope our readers will find the Review both interesting and helpful, since it is one of the means we use to give special thanks to the many retail organizations from whom we are continuing to receive cooperation.

We also wish to thank *Chain Store Age* for their cooperation in assembling this report.

Sincerely,

A. C. Nielsen, Jr.

A. C. Nielsen, Jr.
Chairman of the Board
A. C. Nielsen Company

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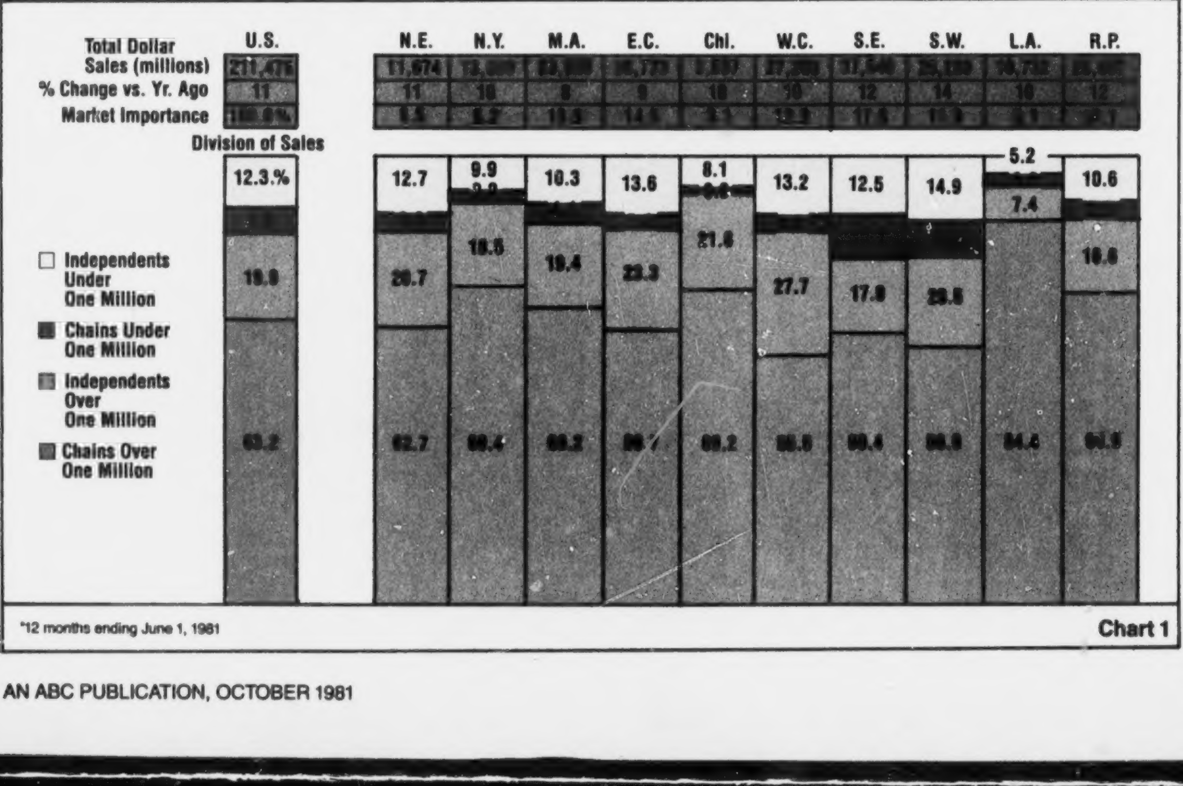
Retail Grocery Sales

Grocery sales in the U.S. for 1980* grew by approximately $20 billion versus the previous year—a gain of 11%. The Southwest registered the strongest increase (+14%), while the weakest showing was made in the Middle Atlantic (Chart 1) with a modest advance of just +8%.

Chain stores with over $1 million in annual sales moved up just over one point to a sales share of 63.2% at the expense of

Total U.S. Grocery Sales*—by Store Type and Area
(Consumer Dollars in Millions)



*12 months ending June 1, 1981

Chart 1

Sales Trends of 75 Packaged Grocery Commodities
(Total U.S.)

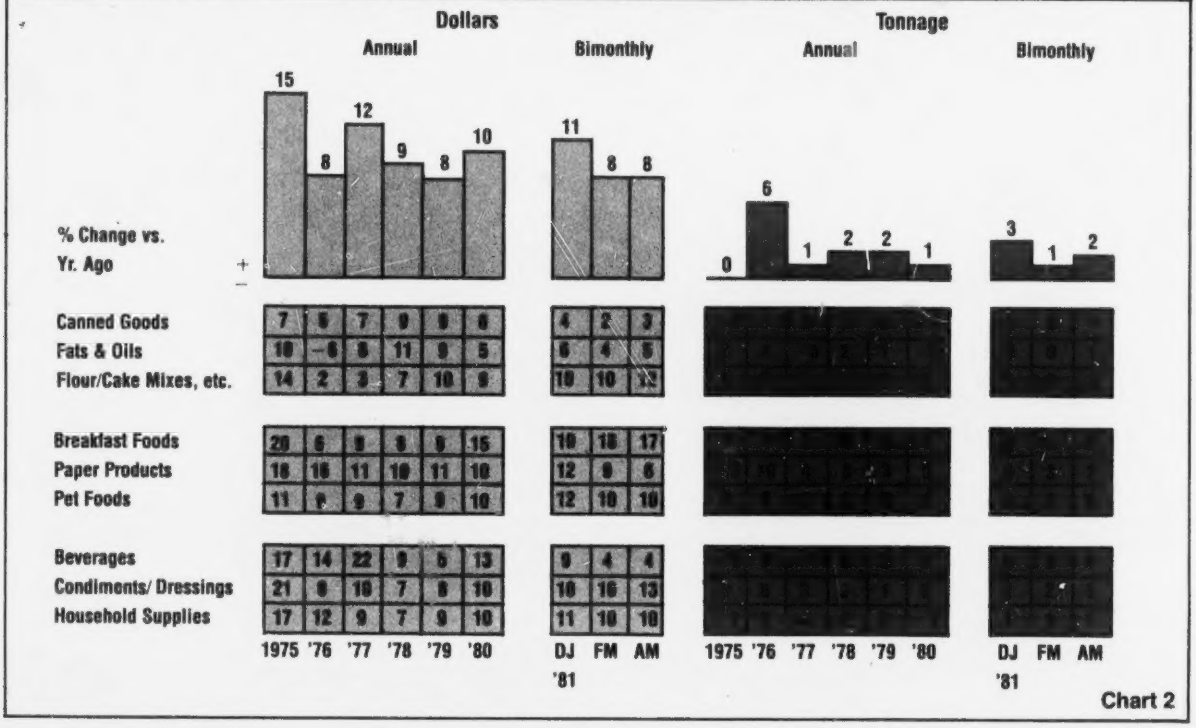
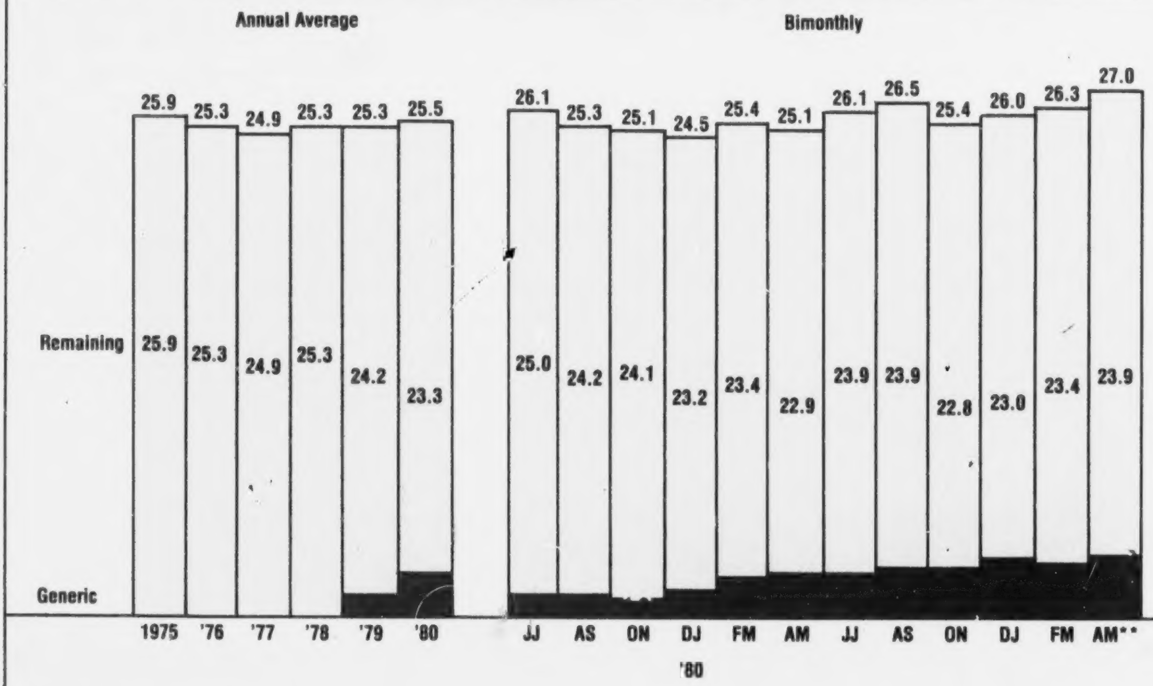


Chart 2

Composite Share* for Controlled Label Brands
(Based upon 35 Categories—Unit Basis†)



*Unweighted average—NEIS Reports: includes generics effective June-July 1978
†Projected data as of on '79
**A-M data based upon tonnnage

Chart 3

chains and independent outlets of under $1 million. Independents over $1 million stood fast at a fraction under a fifth of the market.

Dollars continued to be a rather poor yardstick for the measurement of product movement (based on 75 packaged grocery commodities) as dollar sales of these items during 1980 indicated a 10% increase, but the actual tonnage gain amounted to just +1% (Chart 2). The spread between dollars and tonnage during the first half of 1981, however, did show some narrowing.

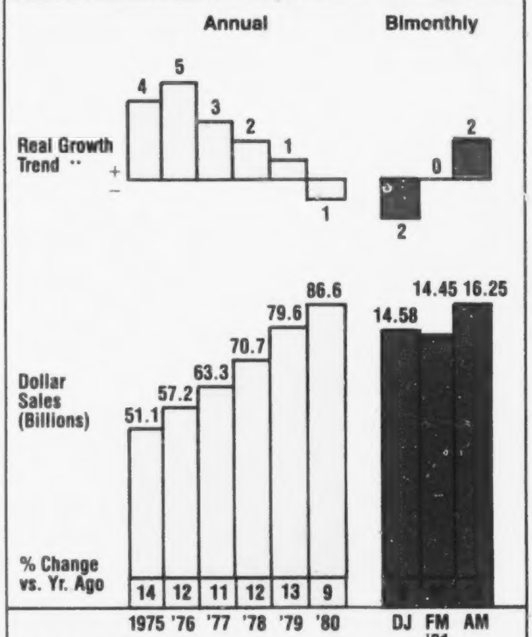
The average share achieved by controlled label brands continued to hold at a fraction over a fourth of the market for the 35 categories we have been tracking for many years (Chart 3). There has been a small but significant change in the makeup of these brands as the share accounted for by generics doubled between 1979 and 1980, and appears to be moving even higher during the first half of 1981. During first-half 1981, generics appear to have expanded the total market for controlled brands by approximately one to one and one-half share points versus the first six months of 1980.

Food Away From Home

U.S. sales of food away from home in 1980 actually slipped below the 1979 total (−1%) when measured in real dollars (Chart 4). This occurred even though dollar sales were up 9% to $86.6 billion.

Chart 5 provides an appraisal of food away from home by restaurant type. Most noteworthy was the gain in sales and share by refreshment places (primarily fast foods), which moved up two share points in 1980. Last year also provided a reversal in trend for the restaurant and cafeteria category, as they had shown the strongest trend for the previous five years.

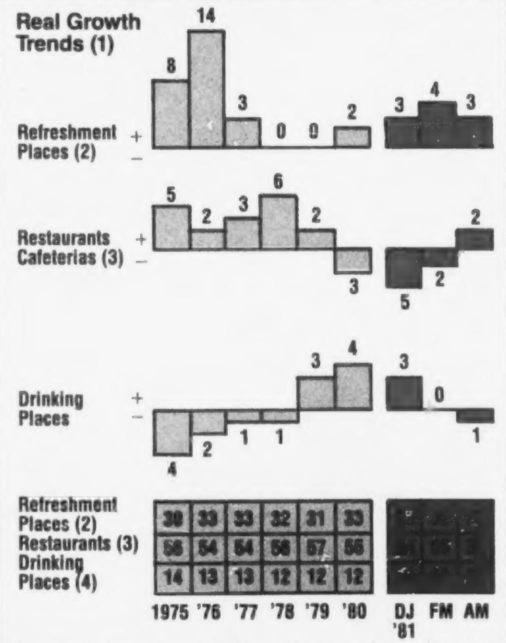
Food Away from Home Business Trends*
(Total U.S.)



*Revised July 1980
**Adjusted to constant dollars (with monthly all urban consumer price index levels) % change vs year ago

Chart 4

Food Away from Home Business Trends—by Segment



1 Year ago % change of constant dollars (refreshment places & restaurants deflated by monthly all urban CPI levels for food away from home, drinking places 1978-present deflated by monthly all urban CPI levels for alcoholic beverages away from home).
2 Establishments primarily selling limited lines of refreshments & prepared food items, such as pizza, bag chicken & hamburgers for consumption.
3 May sell liquor but not exceeding food sales.
4 Over 50% business in on-premise alcoholic beverages.

Chart 5

chapter 2

Economic Factors

The Consumer Price Index

The increase in Social Security payments helped retail trade in July, and the tax reduction that will take effect in just about six weeks will further encourage consumers to unbutton their purses. And most observers believe that retailers will get a higher percentage of that additional income than savings accounts. But probably more important over the long term is the substantial reduction in the rate of inflation and continuing gains in employment, which are now adding to real disposable income.

The consumer price index for July reflected this favorable trend as all items were up just 23 points in June of this year (Chart 6). Although this was still a considerable rise, it was well below the 31-point gain recorded between 1979 and 1980. The 21-point gain by food at home was slightly under the all-item average. Apparel and upkeep and prescription drugs were still the "best bargains" for consumers and the only categories still under 200 on the index.

Income Spent in Grocery Stores

The share of buying income spent in grocery stores by consumers continued its fractional decline (Chart 7). The share spent was 11.6% in 1978, 11.4% in 1979 and 11.3% in 1980. When examined by area, the metro areas of Chicago and New York were the

The Consumer Price Index

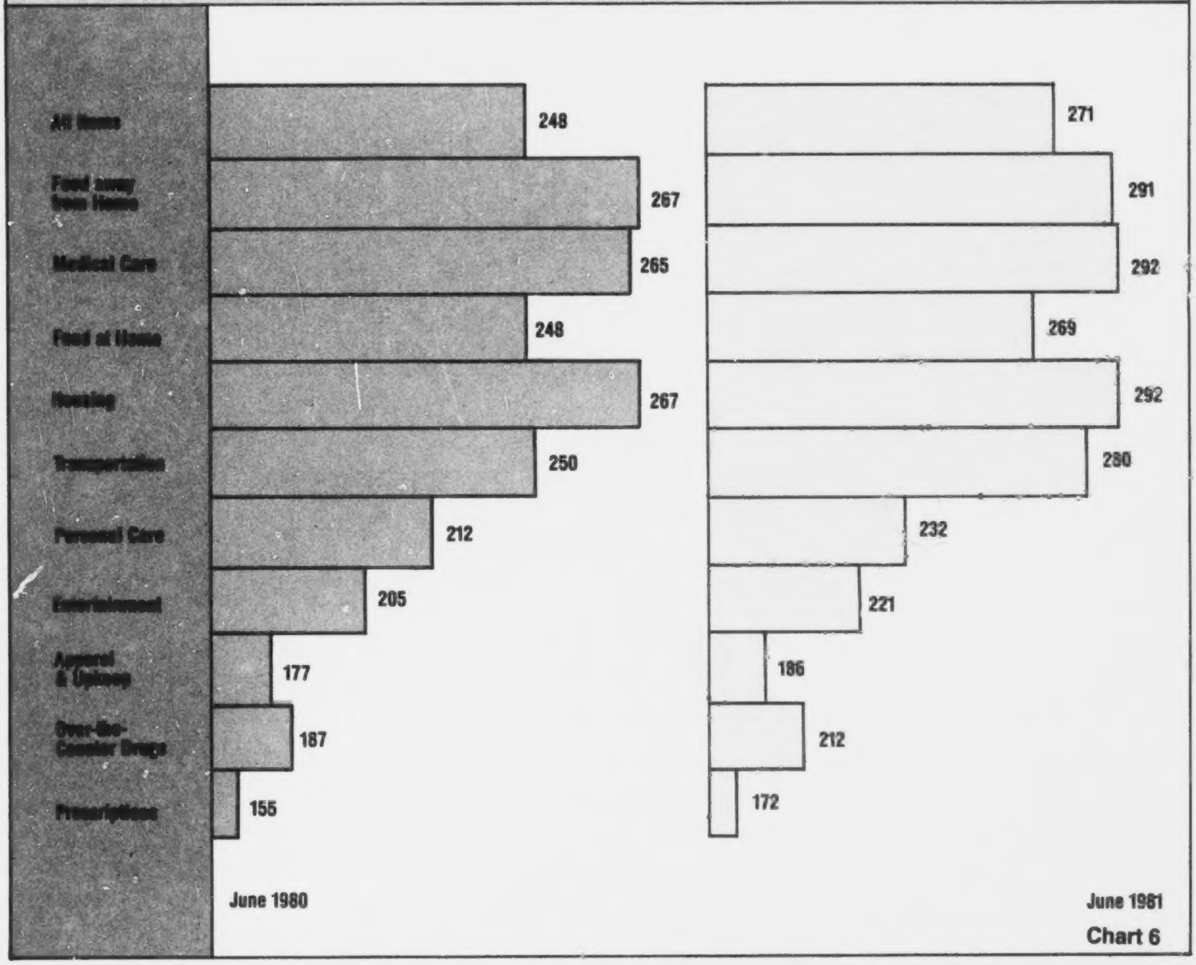
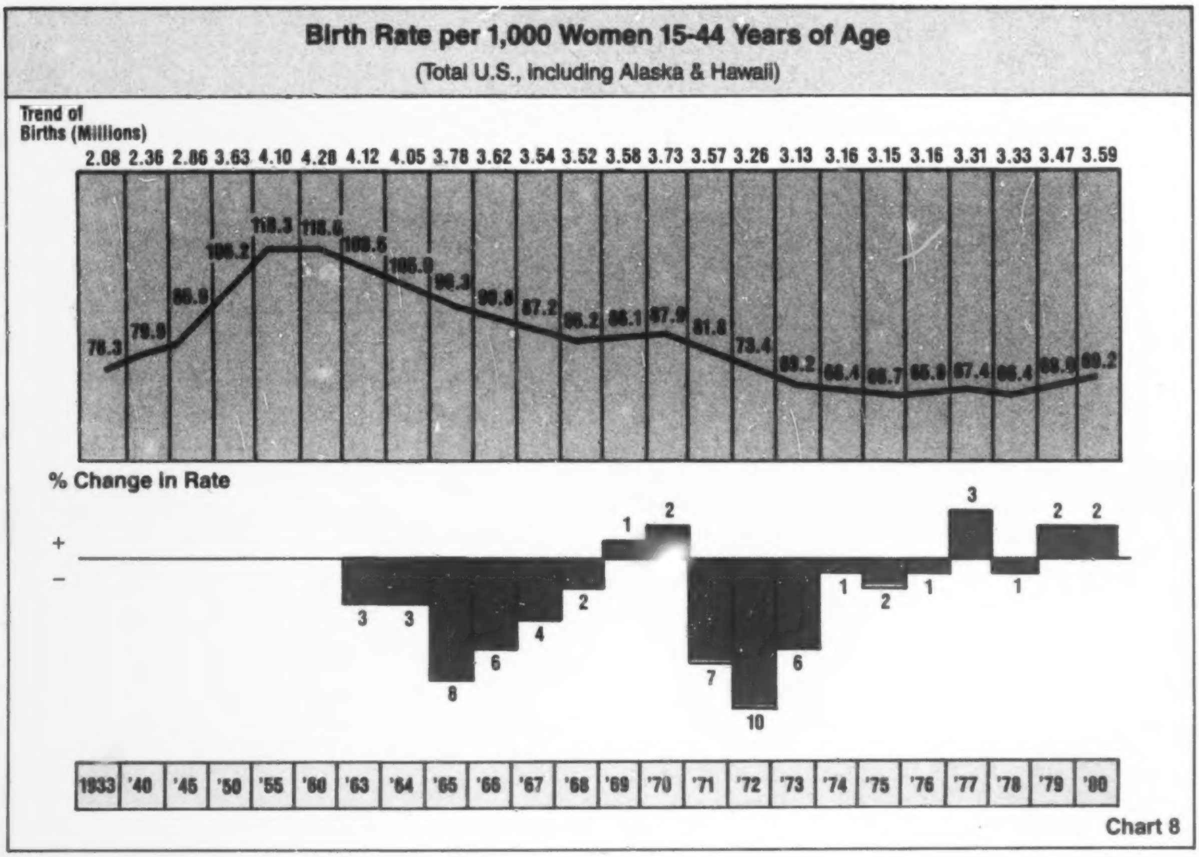


Chart 6

Per Capita Effective Buying Income and Retail Grocery Sales

	Per Capita Grocery Store Sales		Share of Income Spent in Grocery Stores	
	1979	1980	1979	1980
United States	$832	[illegible]	11.4%	[illegible]
New England	823	[illegible]	11.1	[illegible]
New York	752	[illegible]	9.0	[illegible]
Middle Atlantic	846	[illegible]	11.4	[illegible]
East Central	809	[illegible]	11.2	[illegible]
Chicago	752	[illegible]	8.6	[illegible]
West Central	782	[illegible]	10.8	[illegible]
Southeast	851	[illegible]	13.5	[illegible]
Southwest	876	[illegible]	12.7	[illegible]
Los Angeles	883	[illegible]	10.4	[illegible]
Remaining Pacific	901	[illegible]	11.8	[illegible]

Chart 7


Birth Rate per 1,000 Women 15-44 Years of Age

(Total U.S., including Alaska & Hawaii)

Chart 8

lowest in the country. Per capita grocery sales of $809 in Chicago were the lowest of all, and New York was second at $830.

More Babies on the Scene

Even though no one expects sales of baby products to reach the levels of the 1950's or early '60's in the foreseeable future, there should be at least a modest sales increase in products of this type in the near future. The birth rate has been on the plus side in three out of the last four years (Chart 8), with the 1980 rate the highest since 1973. The actual number of births also reached 3.59 million, a level surpassed only once since 1966.

New Item Introductions

New Trend Confirmed

With new item introductions increasing in both 1979 and 1980, as well as showing a healthy advance in the first six months of 1981, it would seem safe to state that introductions have finally "turned the corner" and are on their way up again. This followed a decline that set in during 1975 and reached a low in 1978, when fewer than 5,000 new items were introduced into supermarkets (Chart 9).

All five classifications (Chart 10) participated in the gain, with the edible nonperishables making the largest contribu-

Classification of New Items

All classifications and trend data are based on NEIS Alert Reports, which monitor products newly confirmed in U.S. supermarkets, nationwide, on a continuous basis.

New Brands	[illegible]
Established Brands in New Fields	[illegible]
Brand Extension Same Field	[illegible]
Brand Proliferation	[illegible]

New Item Introduction Trends

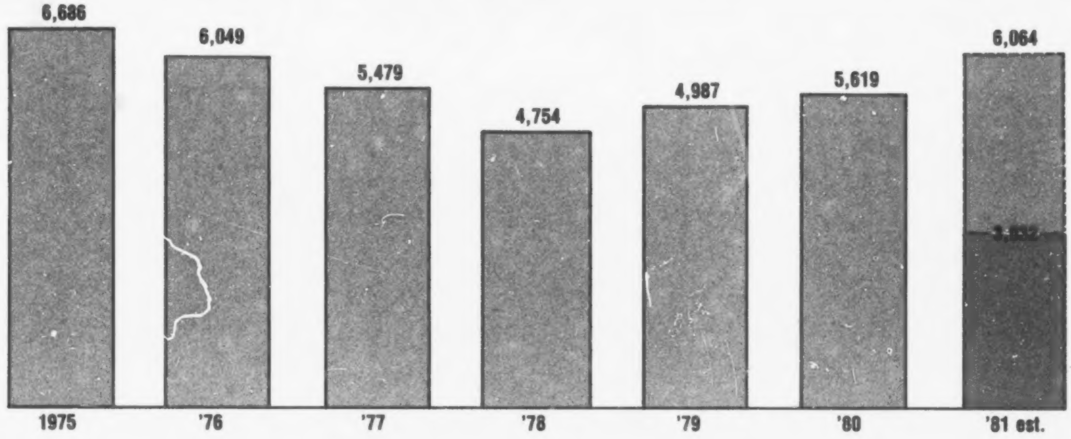


Chart 9

New Item Introduction by Category

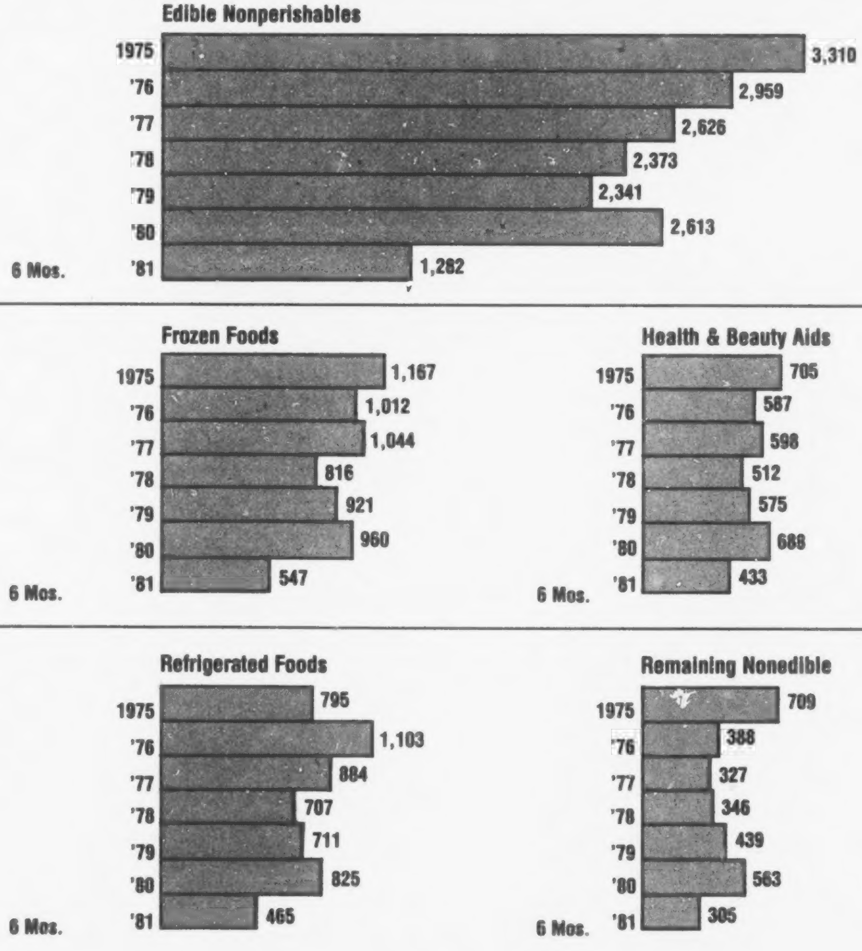
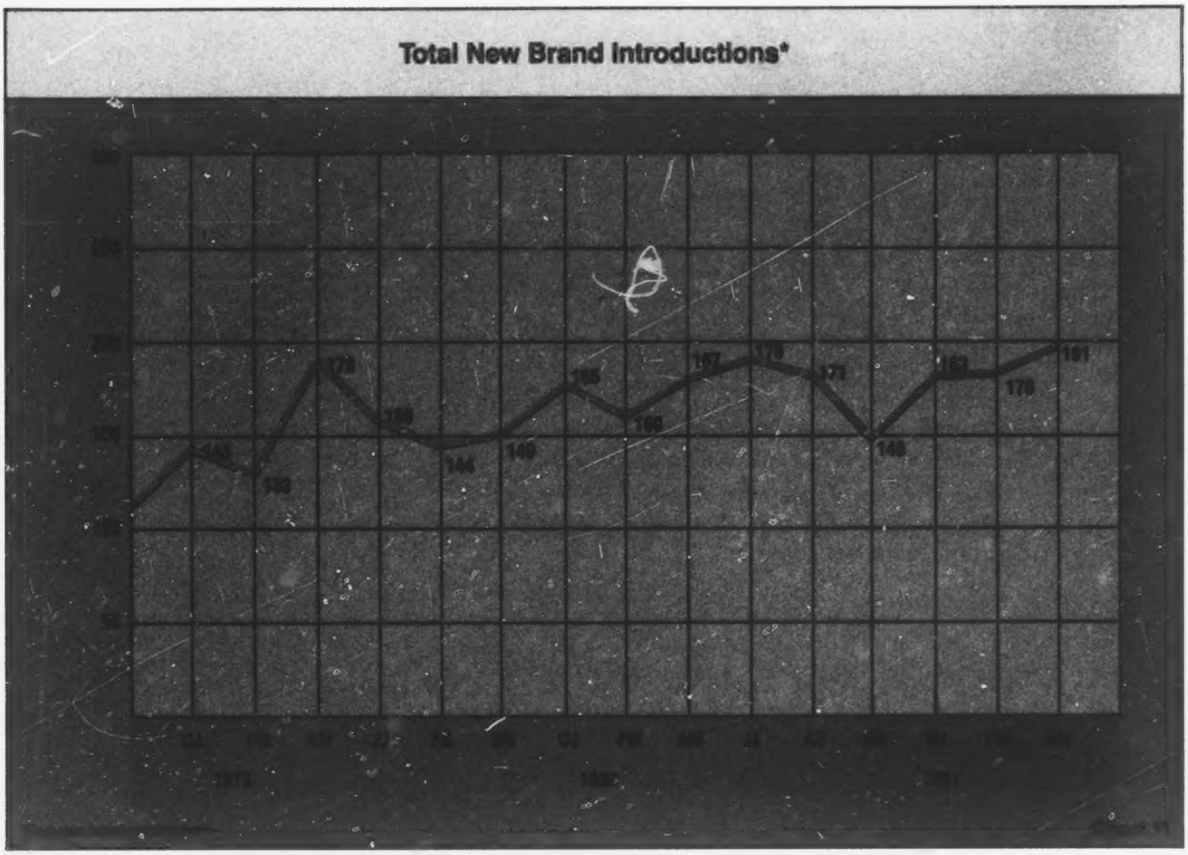


Chart 10



tion—some 272 more than in 1979. This group had been the most depressed, having suffered decreases since 1974.

"New brand" introductions (see classification table) climbed to a new bimonthly high during the April-May period of 1981 (Chart 11)—another indication that the long-term drought may be over.

chapter 4

Space Allocations For Dry Groceries

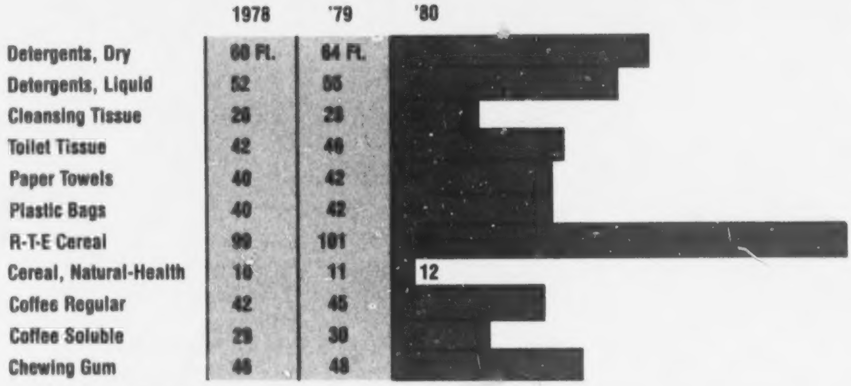
Space allocations for the majority of 23 major grocery product classes in large chain outlets (Charts 12 and 13) continued to expand. Although the additional footage was modest in size, in the range of 1-3 feet, when one looks back several years even the small increments for some product classes have added substantial footage to their shelf positions.

For example, the average space allocated to liquid detergents in 1976 was 50 feet (now 58), RTE Cereal 97 feet (now 103), chewing gum 42 feet (now 50), dry type dog food 51 feet (now 71), crackers 59 feet (now 69), soup 88 feet (now 98) and soft drinks 195 feet (now 223). As far as soft drinks are concerned, it would appear there is still considerable elasticity to the shelf space retailers are willing to allocate to this product class. Obviously, not all product classes have fared so well. In fact, natural-health cereals and regular coffee have lost shelf space since 1976.

Cigarettes

Chart 14 provides the average linear feet allocated to cartons of cigarettes by dollar volume classifications. (Chain stores under $500,000 and $500,000-$1 million have been phased out.) The average allocation in all chain stores gained another foot in 1980 to an average of 35 feet. This gain did not represent small average increases by most of the volume groups since 1979, however. Instead, it was the end result of some fairly substantial additions and subtractions in allocations among the various chain volume groups. In fact, two volume groups (the $1-$2 million and the $4-$5 million) reduced

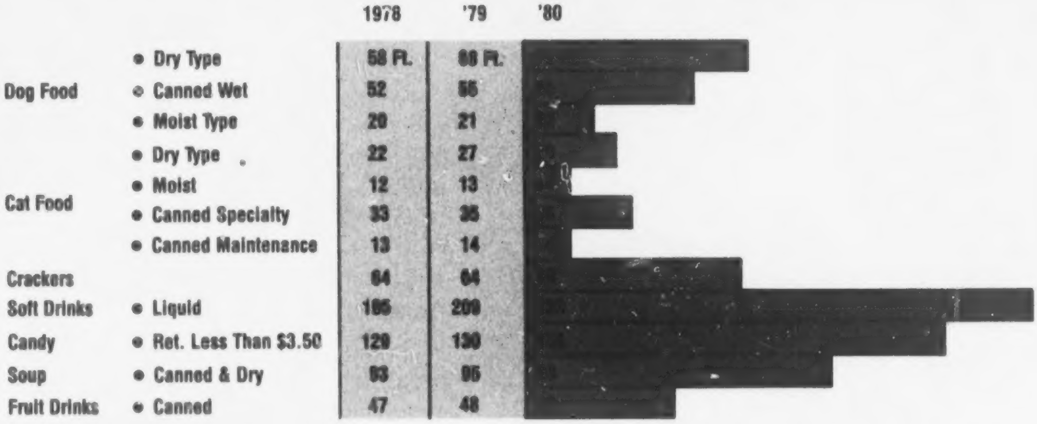
Average Linear Shelf Space Per Store—Selected Product Groups I
(Chain Stores Over $1 Million Annual Volume*)



*Chains for 1978 were over $500,000 annual volume

Chart 12

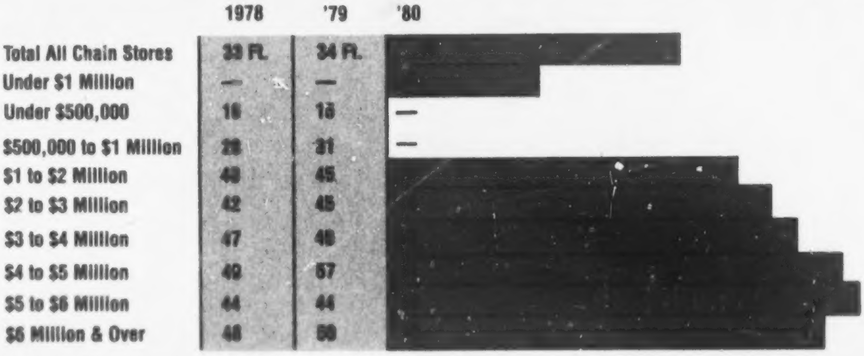
Average Linear Shelf Space Per Store—Selected Product Groups II
(Chain Stores Over $1 Million Annual Volume*)



*Chains for 1968 were over $500,000 annual volume

Chart 13

Average Linear Shelf Space Devoted to Cigarettes*
(All Chains by Volume)



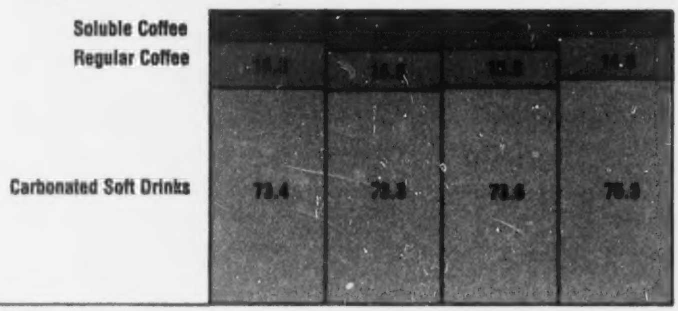
*Cartons only

Chart 14

Average Linear Shelf Space—Coffee vs. Soft Drinks
(Chain Stores Over $1 Million Average Volume*)

Linear Footage:	1977	1978	1979	1980
Total	263	266	284*	296*
Soluble Coffee	27	29	30	30
Ground Coffee	43	42	45	43
Carb. Soft Drinks	193	195	209	223

Competitive Division:



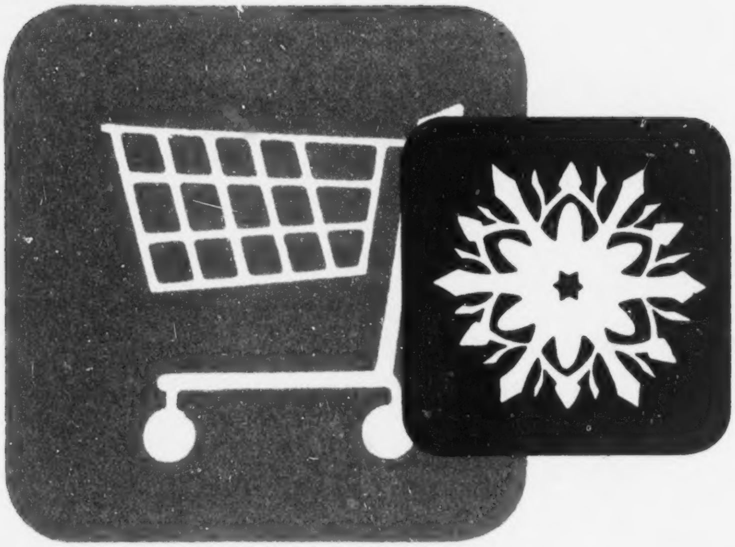
*Chains for 1977 and 1978 were over $500,000 annual volume

Chart 15

their allocations versus a year ago by an average of 3 feet. This was offset, however, by an average addition of 9 feet by the $3-$4 million category and an additional 12 feet by the $5-$6 million dollar stores.

Coffee and Soft Drinks

The competitive shelf space allocations between two beverages—soft drinks and coffee—offer an interesting contrast in share trends (Chart 15). Even though coffee, both soluble and ground combined, have been allocated an additional 3 feet of shelf space since 1977, their share of space versus soft drinks has declined two points over the last four years.



Frozen and Refrigerated Foods

The average space allocated frozen foods in large U.S. supermarkets posted another gain in 1980 (Chart 16), but there were indications that the "automatic gains" we have seen in the past may be near the end. The average actually declined in four areas (East Central, Metro Chicago, Los Angeles and the Remaining Pacific), and there was no change in the West Central. The large gains in New England, New York and the Southeast outweighed the losses, but this was the first time in recent years that as many as four areas have reduced the space allocated to frozen foods.

Chart 17 provides a breakdown of space allocations by both product type and area for 1979 and 1980. As a result, it's possible to easily identify the product classes that

Average Linear Feet of Shelf Space Devoted to Frozen Foods
(Chains Over $1 Million Annual Volume*)

	1976	1977	1978	1979	1980	
U.S. Average	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New England	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New York	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mid. Atlantic	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
East Central	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Metro. Chicago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
West Central	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Southeast	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Southwest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Los Angeles	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rem. Pacific	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Chains 1976 through 1978 were over $500,000 annual volume

Chart 16

Average Linear Feet of Shelf Space Devoted to Frozen Foods—by Type
(1979 vs. 1980—Chains Over $1 Million Only)

	Potatoes		Other Vegetables		Orange Juice		Fruit Dessert Pies		Other Dessert Pies		[illegible]		Meat Pies		Bread		Other Juices		[illegible]		[illegible]		[illegible]		Fish		Poultry		Pizza		All Remaining Items	
	'79	'80	'79	'80	'79	'80	'79	'80	'79	'80	'79	'80	'79	'80	'79	'80	'79	'80	'79	'80	'79	'80	'79	'80	'79	'80	'79	'80	'79	'80	'79	'80
U.S.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N.E.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N.Y.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
M.A.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.C.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chi.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W.C.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S.E.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S.W.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
L.A.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Pac.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Chart 17

Average Linear Feet of Shelf Space Devoted to Refrigerated Foods
(Chains Over $1 Million Annual Volume*)

	1977	1978	1979	1980
U.S.	[illegible]	[illegible]	[illegible]	[illegible]
New England	[illegible]	[illegible]	[illegible]	[illegible]
New York	[illegible]	[illegible]	[illegible]	[illegible]
Mid. Atlantic	[illegible]	[illegible]	[illegible]	[illegible]
East Central	[illegible]	[illegible]	[illegible]	[illegible]
Metro. Chicago	[illegible]	[illegible]	[illegible]	[illegible]
West Central	[illegible]	[illegible]	[illegible]	[illegible]
Southeast	[illegible]	[illegible]	[illegible]	[illegible]
Southwest	[illegible]	[illegible]	[illegible]	[illegible]
Los Angeles	[illegible]	[illegible]	[illegible]	[illegible]
Rem. Pacific	[illegible]	[illegible]	[illegible]	[illegible]

*Chains in 1977 and 1978 were over $500,000 annual volume

Chart 18

were awarded less space in 1980 than '79. For example, Chicago supermarkets reduced space allocations for seven of the 16 classifications, and Los Angeles outlets decreased the space for nine groups.

Refrigerated Foods

A somewhat similar pattern was evident for the space allocated refrigerated foods (Chart 18). Although the U.S. average increased by 6 feet, supermarkets in four areas actually reduced the average space allocated refrigerated foods. This was in contrast to 1979 when the U.S. average gained 20 linear feet and supermarkets in all 10 areas allocated additional space to refrigerated foods.

Chart 19 offers a breakdown by type of food and area for 13 classifications for 1979 and 1980. The U.S. average by product class showed only minor variations—only cheese, chilled orange juice and margarine were provided additional space, and there

Average Linear Feet of Shelf Space Devoted to Refrigerated Foods—by Type
(Chains Over $1 Million Annual Volume) 1979 vs. 1980

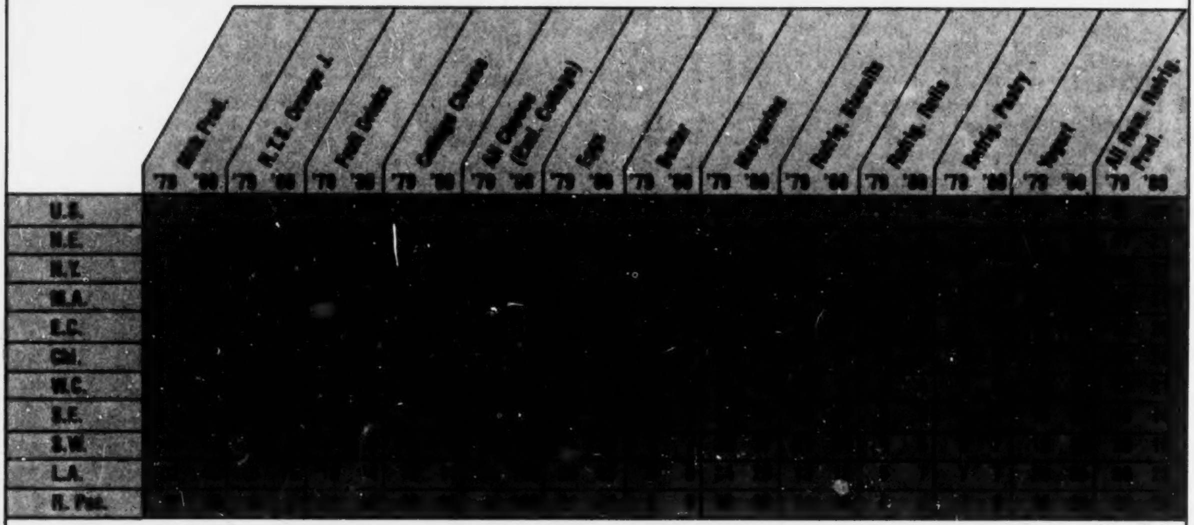

Milk Prod.
R.T.S. Orange J.
Fruit Drinks
Cottage Cheese
All Cheese (Excl. Cottage)
Eggs
Butter
Margarine
Refrig. Biscuits
Refrig. Rolls
Refrig. Pastry
Yogurt
All Rem. Refrig. Prod.
'79
'80
U.S.
N.E.
N.Y.
M.A.
E.C.
Chi.
W.C.
S.E.
S.W.
L.A.
R. Pac.

Chart 19

Orange Juice by Type
(Division of Sales)

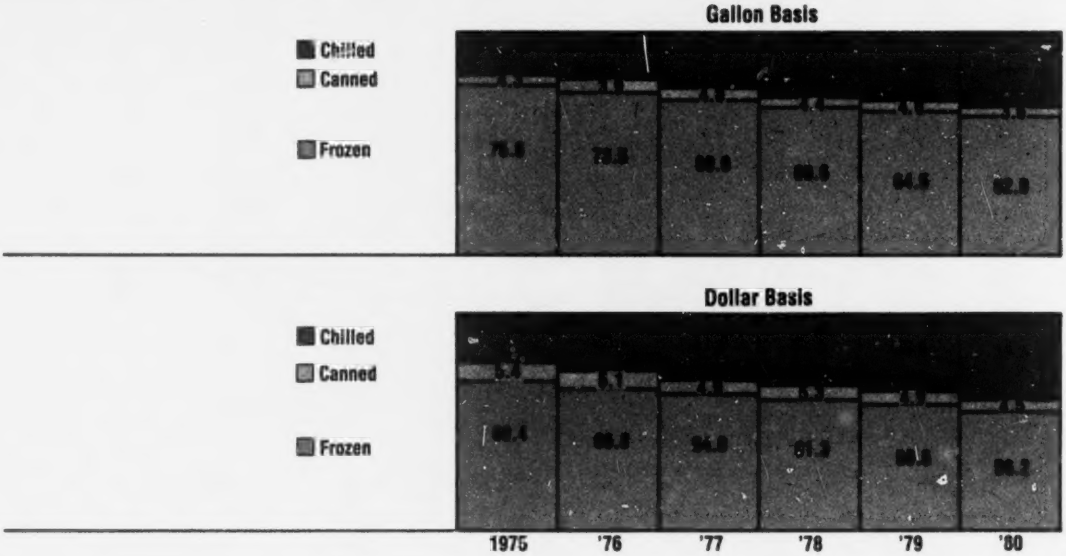


Chart 20

was no change in the U.S. average for the remaining 10 product groups.

It would appear that one reason chilled orange juice was awarded additional space was its continued progress versus both canned and frozen orange juice. Chart 20 provides a six-year trend for the three types on both a dollar and gallon basis. Note that during this period chilled orange juice has moved up from a share of 20.1% to 34.4% when measured in gallons, and from a fourth of the market to just under 40% on a dollar basis.

chapter 6

Health and Beauty Aids and Selected Cosmetics

HBA's Dollar Sales Up 17%

Grocery retailers' sales of HBA's were up 17% in 1980—exceeding drug outlets and the three outlet average by two points (Chart 21). Gains in unit sales, however, did not approach that figure—up 3%—again reflecting the effects of inflation. Mass merchandiser sales of these items increased 12% on a dollar basis, but there was no gain to report in unit volume.

Total dollar sales of the 25 major HBA product classes in 1980 were just over $9.8 billion, and grocery stores added a full half point to their share at the expense of mass merchandisers (Chart 22).

When examined by individual product class (Chart 23), grocery stores increased their share in 16 of the 25 categories. Most of the gains were fractional but picked up over a point in vitamins, sinus headache remedies and home permanents.

Retail Inventories

For five out of the past six years, drug stores have continued to reduce their retail stocks of HBA's (Chart 24). Last year was no exception, and stocks of these items continued to decline during the first quarter of 1981. Grocery stores have followed a con-

HBA's: Dollar and Unit Sales Progress

(25 Major Product Groups)

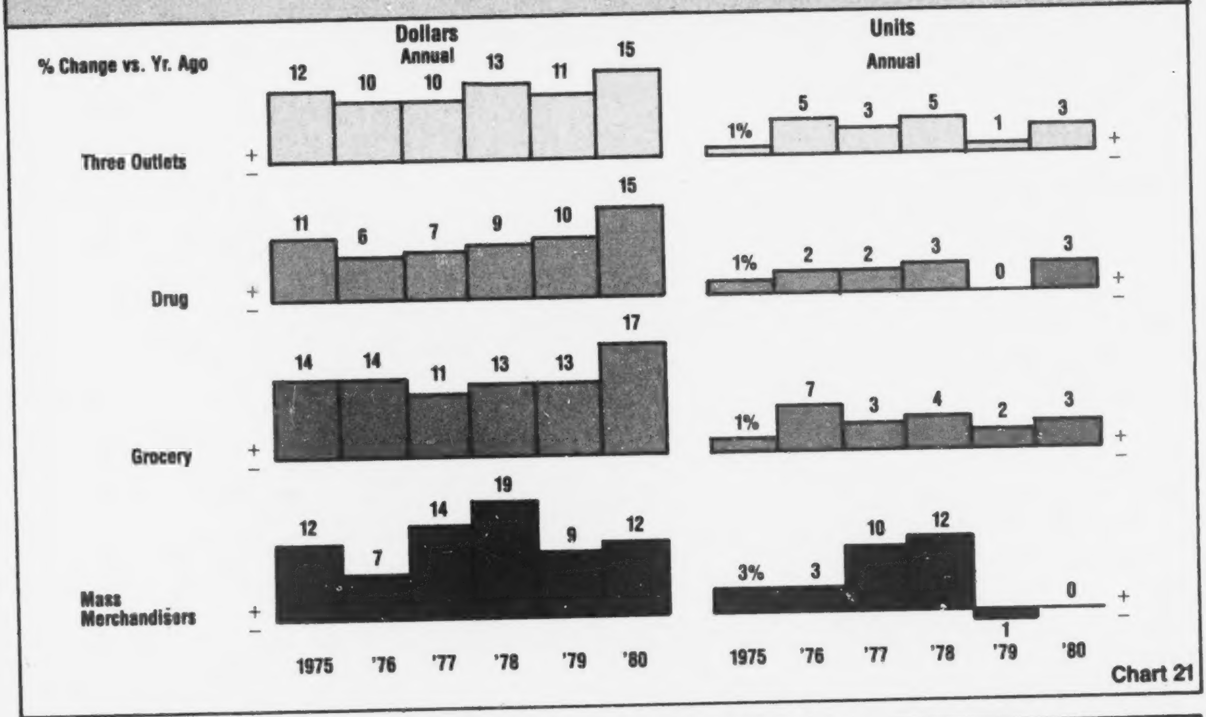


Chart 21

Division of HBA Dollar Sales Drug—Grocery—Mass Merchandisers

(25 Product Groups)

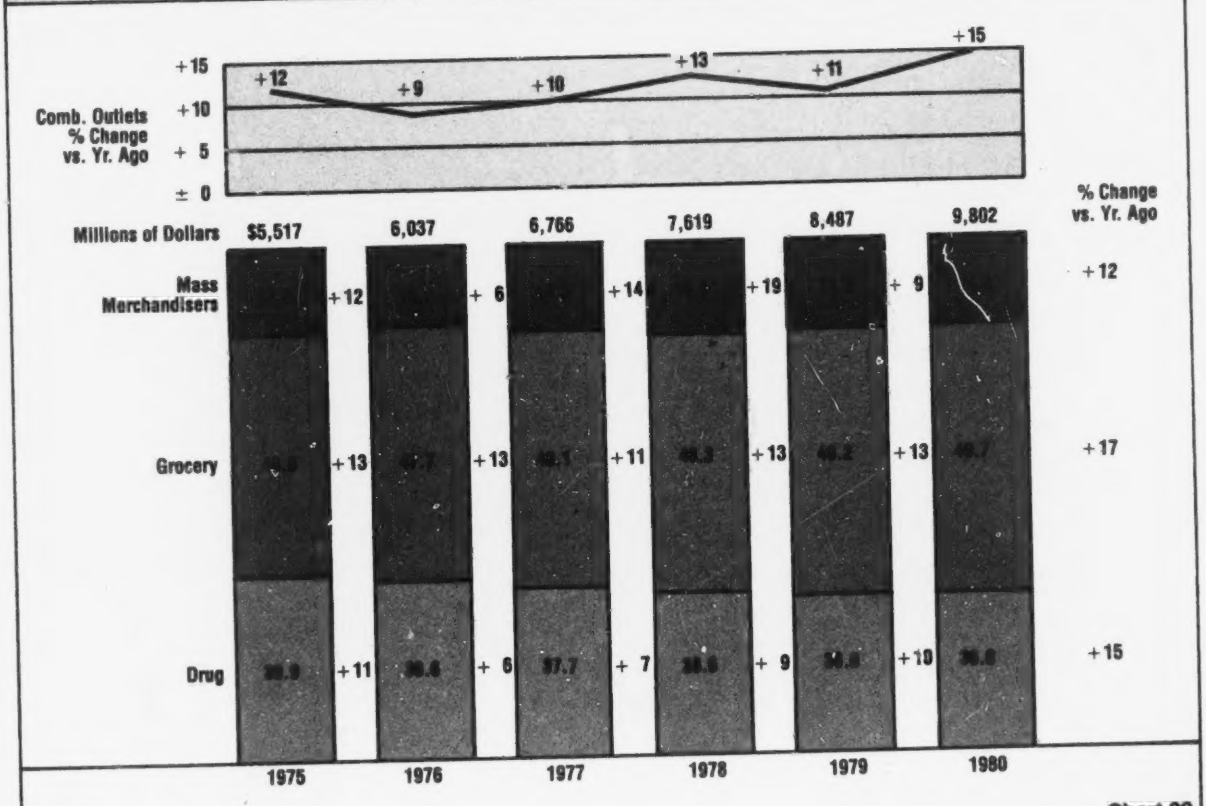


Chart 22

Division of HBA Sales by Outlet

(Dollar Basis—1980)

	Drug	Food	[illegible]
25 HBA's	36.8	40.7	[illegible]
Hair Preparations	30.2	46.3	[illegible]
Razor Blades	31.8	32.8	[illegible]
Aerosol Shave Cream	34.8	48.5	[illegible]
After Shave Lotion & Cologne	62.6	18.2	[illegible]
Dentifrices	23.9	51.9	[illegible]
Oral Antiseptics	31.8	52.9	[illegible]
Vitamins	76.2	15.8	[illegible]
Cold Tablets	43.6	47.3	[illegible]
Sinus Headache Remedies	43.1	46.2	[illegible]
Topical Antiseptics	45.2	43.7	[illegible]
Headache Remedies	36.4	51.3	[illegible]
Stomach Remedies	51.3	40.2	[illegible]

	Drug	Food	[illegible]
Disposable Diapers	10.6	78.2	[illegible]
Foot Remedies	70.6	20.4	[illegible]
Shampoo	31.8	50.8	[illegible]
Deodorants	31.8	51.3	[illegible]
Feminine Douches	40.8	37.0	[illegible]
Sanitary Protection	25.4	61.7	[illegible]
Hand Lotions	50.6	30.2	[illegible]
Face Creams	65.3	20.9	[illegible]
Hair Coloring	61.7	17.1	[illegible]
Hair Fixatives	34.0	47.8	[illegible]
Home Permanents	60.3	17.3	[illegible]
After Shampoo Products	46.2	42.3	[illegible]
Bath Additives	56.3	28.0	[illegible]

Chart 23

trasting course with inventory increases, of modest size, during five of the past six years. Inventory changes in mass merchandiser have varied widely, ranging from an 11% increase in 1977 to a 5% decrease in 1980.

Stock Turns Improve

During the past 10 years, all three outlets have improved their number of stock turns per year (Chart 25). Although average stock turns in grocery stores were approximately double that of drug outlets, and exceed mass merchandisers by a comfortable margin, both drug stores and mass merchandisers have improved one full turn over the 10-year period.

Selected Cosmetics

Dollar sales of selected cosmetics in the three outlets climbed to almost $706 million in 1980 for an average gain of +19% (Chart 26). A sales gain of +35% was posted by grocery stores, double the increase in drug outlets. Drug stores continued to dominate sales of these items, however, with a 68% share, down one point from 1979. Mass merchandisers sales increased +15%, but their share declined one point.

Trend of HBA Retail Inventories—by Outlet

(25 Major Product Groups—Unit Basis)

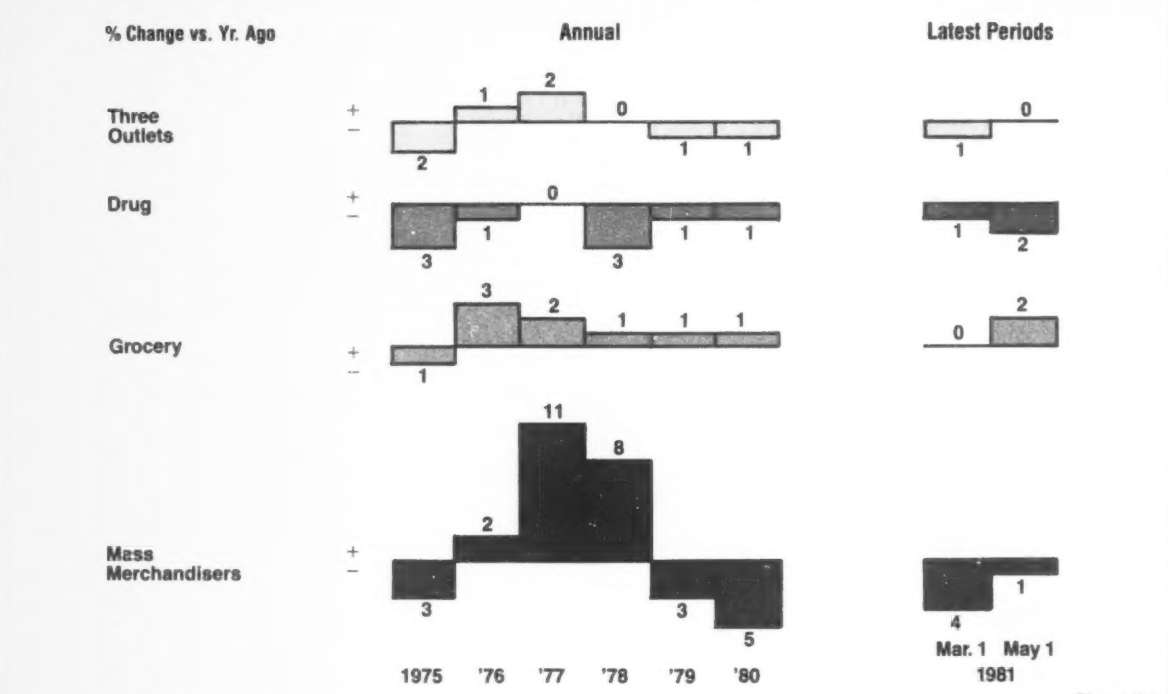


Chart 24

Unit Sales & Stock Turns—25 HBA's by Trade Class

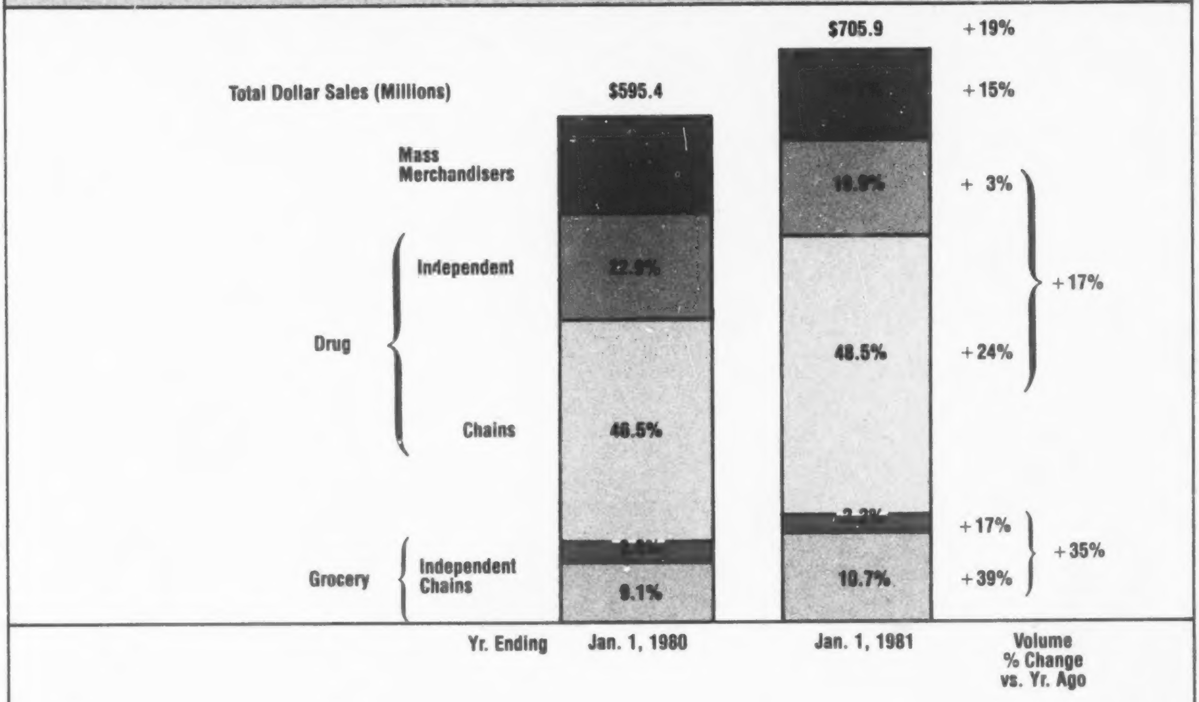
1971	Grocery	Drug	Mass Merchandiser	Three Outlet Average
Unit Sales	2,211,949	1,407,910	625,730	4,245,288
Avg. Unit Inventories	307,048	422,122	125,332	854,602
Annual Stock Turn	7.2	3.3	5.0	5.0
1980				
Unit Sales	2,835,003	1,681,259	809,173	5,325,435
Avg. Unit Inventories	349,271	391,080	134,150	874,510
Annual Stock Turn	8.1	4.3	6.0	6.1

Chart 25

We have also provided a breakdown by store type for drug and grocery outlets (only) for the past two years. Noteworthy is that chain drug stores increased their share of sales by two points with a 24% sales gain. Independent drug stores, on the other hand, lost three share points with a sales gain of only 3%.

Selected Cosmetics*—Share of Sales by Outlet & Store Type

(Total U.S.—Consumer Dollars)



*Mascaras, eye shadows, lip makeups, nail polish, liquid facial makeups

Chart 26

Independent grocery stores fared somewhat better with a 17% sales gain, enabling them to maintain their modest share. With a 39% sales increase, grocery chains expanded their share to 10.7%, up 1.6 points from the previous year.

chapter 7

Scanning as a Research Tool

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The usefulness of a new tool is often measured by its ability to answer questions better, faster or cheaper than established methods—or, perhaps more importantly, to answer questions that have never been answerable before. Scanning technology holds the promise of being such a tool.

The number of scanning installations in food stores is continuing to expand at an ever-increasing rate. At the end of April 1981 there were 3,402 scanning installations in the 48 contiguous states. Their memories capture item sales accounting for just less than $1 out of every $6 spent in grocery stores today (Chart 27).

Interest in scanning output is high among both retailers and manufacturers. The item-specific consumer sales data covering discreet time frames have the potential to answer many questions for both groups.

The types of questions *organized* scanning data can help answer are:

A. For the retail operator
   1. How quickly are products moving off-shelf? How does sales mix compare to inventory mix?
   2. What are sales in DSD (direct-store-delivered) categories in my stores?
   3. What are the price elasticities of my product mix?
   4. What is the best way to handle new item introductions?
      (a) What poor performer can be eliminated from the category?
      (b) Where did new item sales come from?
      (c) What pricing level, shelf location maximizes sales or profit?
   5. How do the promotions I undertake affect sales?
      (a) Which are the most profitable?
      (b) Which move the most product?
      (c) What combination of factors will create the effect desired?
   6. What is the efficiency of my staff?
   7. Can front-end labor be scheduled more effectively?

B. For the manufacturer
   1. Are my products priced the way I expect, on an absolute basis and versus competition?
   2. How effective is my product line? Are there new trends relative to sizes, flavors, package types that I should take advantage of?
   3. How do production capabilities and

priorities compare to sales mix?

4. What is the true seasonality of the categories in which I compete?
5. How do promotions affect sales?
   (a) Which are the most profitable?
   (b) Which move the most product?
   (c) What combination of factors will create the effect desired?
   (d) How do my promotions compare to competition?
6. How should I react to market disruptions?

An obvious reason for a manufacturer to buy scanning, beyond those listed, is the fear that retailers *can* use the data to become more knowledgeable about a product's performance than the manufacturer is.

For Retailers

Up to this point in the development of scanning, retailers have used their own scanning data primarily to answer questions 6 and 7 on their list. The answers to these questions and the elimination of most underrings have provided immediate economic benefits to scanning retailers.

How can retailers use their own scanning data to influence their profitability by answering questions 1 through 5?

Scan-based reports will provide retail buyers with a new information source to aid them in making merchandising decisions. Scanners will capture weekly unit and dollar *sales* for all UPC-marked items. Sales information will be available on direct-store-delivery items. This sales information, however, will need to be organized and programmed to provide meaningful item, brand, and/or product class movement reports. For more sophisticated merchandising analysis, other data sources will have to be combined with scan data. Advertising performance; in-store observations; geographic, merchandising, operating characteristics, etc., will enhance scanning data to permit more detailed analysis of product lines, pricing strategies, promotion and advertising results, new item performance, localized merchandising and sources of sales.

Movement and ranking reports will not only provide item, brand and product class sales. Percentage change, percent to total, percent at stores selling will all be measures that can highlight areas of success, identify "opportunity" areas where attention is required and monitor sales.

Scan data can be extremely useful when product classes are being reviewed by buyers. Formats can be developed that analyze item or brand performance within a product class based upon criteria common to one, or multiple-scanner-equipped stores. By evaluating cost and gross profit data with scan movement data, these product class reviews can include profitability as well as sales analysis.

Sales to space ratio is one example of the analysis described above. By evaluating item sales or profits relative to physical shelf allocation (linear or cubic feet/inches), imbalances in sales or profit versus shelf space can be identified. This information can be used to reduce out-of-stocks on fast-moving items, reduce inventory on slower-moving items and increase sales.

If the number of items or brands within a product class is not common to all stores within a retail organization, scan data can be used to evaluate item and brand performance for each product mix alternative. Again, product line decisions can be aided by scan data.

New items have been stated as being the "lifeblood" of the grocery business. Even after a decision has been made to authorize a new item, the buyer is confronted with a series of questions. Scan data can help answer many of these questions. A key concern of the retailer is how the item is selling. Scan reports can monitor not only sales but percent of stores selling. This is a major advantage over shipment data. Shipment data on a new item reflect "pipeline" orders for initial stocking. Follow-up orders may not offer a reliable estimate of sales either, as these subsequent orders may also be "pipeline" versus replenishment.

Scan data can provide insights into the source of new item sales. Sales of a new item can be compared against sales trends of existing items subsequent to new item introduction to measure the impact on total product class and individual items and brands.

Scan data can also help evaluate the impact of a new item's introductory promotional support. Sales can be matched against stated advertising, sampling, couponing dates to determine if buyer or salesman targets were achieved.

Scan data can also be used to evaluate controlled tests of new items to help answer questions about pricing levels or product placement.

Pricing decisions go far beyond new

Scanner-Equipped Food Store Universe
(Number of Stores—Total U.S.)

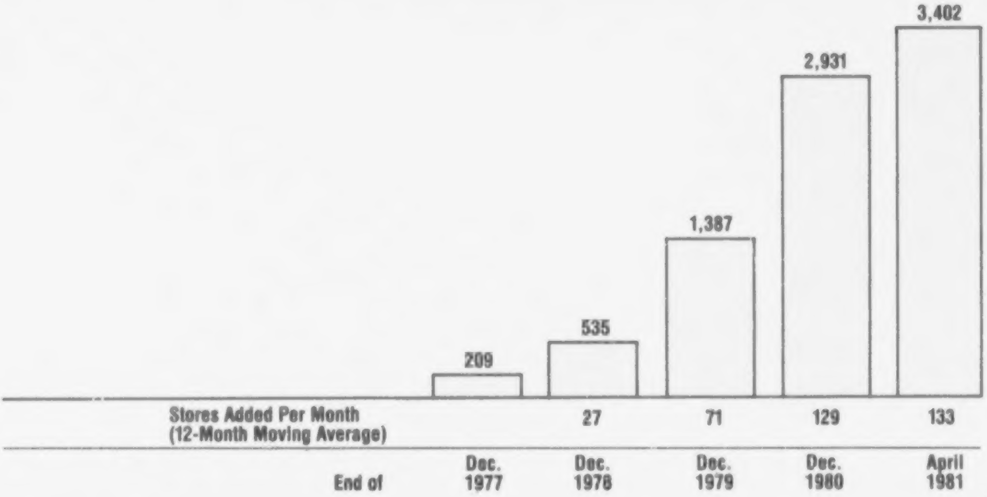


Chart 27

89 Local Promotion Programs

	23 In-Ad Coupons	39 Major Ads	27 Line Ads
Average Pre-Promotion Index	100	100	100
Average Promotion Index			
Single Week	611	657	280
Multiple Week	528	730	261
Average Post-Promotion Index	98	101	100
Promotion Index Range	178-1,618	132-2,615	89-894
Average Price Reduction	16%	28%	15%

Chart 28

Local Scantrack: Leading Detergent

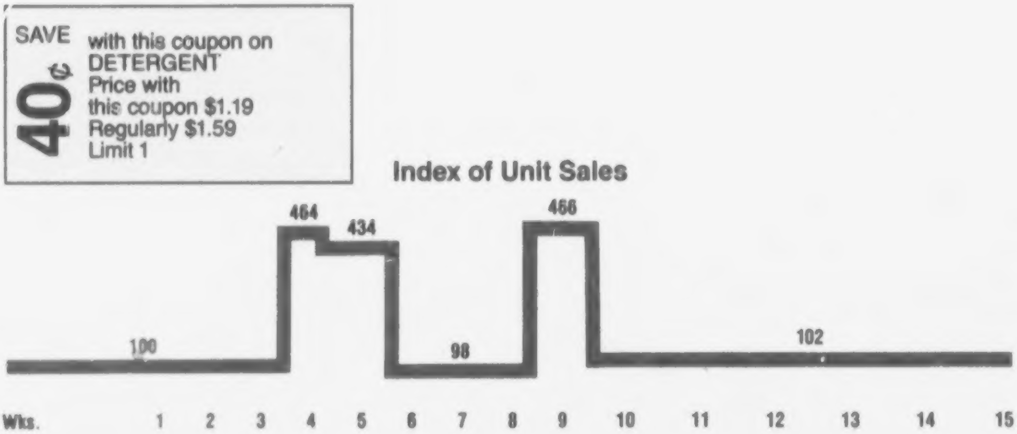


Chart 29

Local Scantrack: Headache Remedy

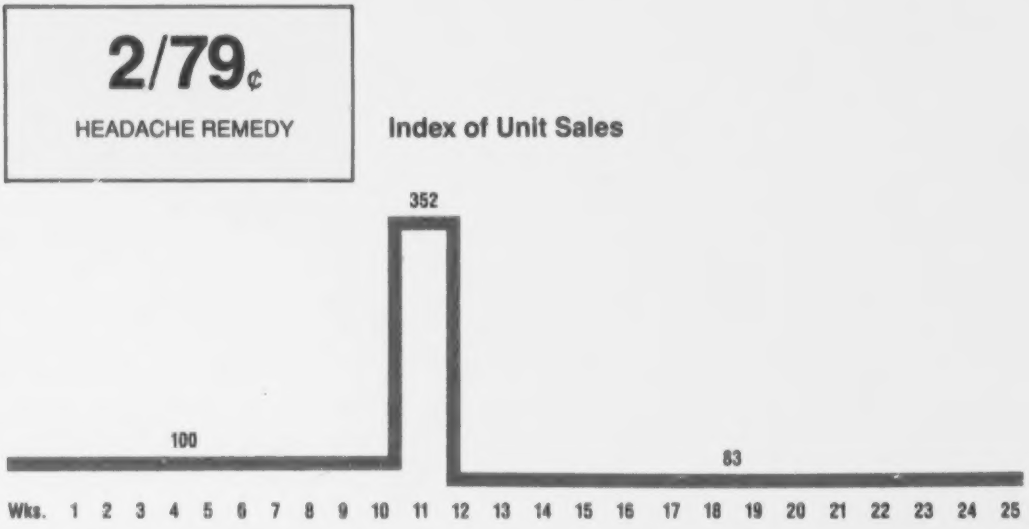


Chart 30

items. Zone pricing, branded/control brand/generic price relationships and feature price levels are all critical components in a merchandising strategy. Scan data can be used to better project the impact of these pricing decisions.

Promotional strategies must identify frequency, type of feature (single-week or multiple-week price reduction, coupon, regular retail), in-store merchandising support (displays, signs, hand bills, coupons) and advertising emphasis. Control tests or review of historical data can help evaluate the impact of individual or combinations of these merchandising variables. With this information, norms can be established by analyzing base, feature and post-feature weeks' scan data for each promotion alternative observed.

Source-of-promotion dollar evaluations should incorporate a review of more than the feature item and single-week base and post-feature period. At a minimum, feature brand and total product class should be monitored along with the feature item.

Weekly sales data are probably most valuable for promotion evaluation. Information is captured at the point of sale, not the point of distribution. Shipment reports typically show anticipated increased movement prior to the feature week and may not accurately reflect post-feature movement if stores have a lot of "carryover" product.

Scanning technology has inherent control attributes to better ensure adherence to authorized product lines. Unauthorized items are quickly detected at the point of sale when scanning records are frequently verified.

The possibility of benchmark (industry) data against which a retailer can judge his own performance raises even more interesting possibilities.

For Manufacturers

For manufacturers, the early use of scanning data seems aimed at answering questions 5 and 6 on their list. If those questions can be satisfactorily answered, the results can provide the economic impetus to examine questions 1 to 4 more closely.

Local or national sales of mature, well-distributed items and categories tend to move within fairly well-understood limits over time. When significant fluctuations are observed, it is crucial for the manufacturer to understand what caused those fluctuations. Marketing decisions involving huge dollar amounts might well hang in the balance.

Some factors causing fluctuations are

Local Scantrack: Dry Cat Food

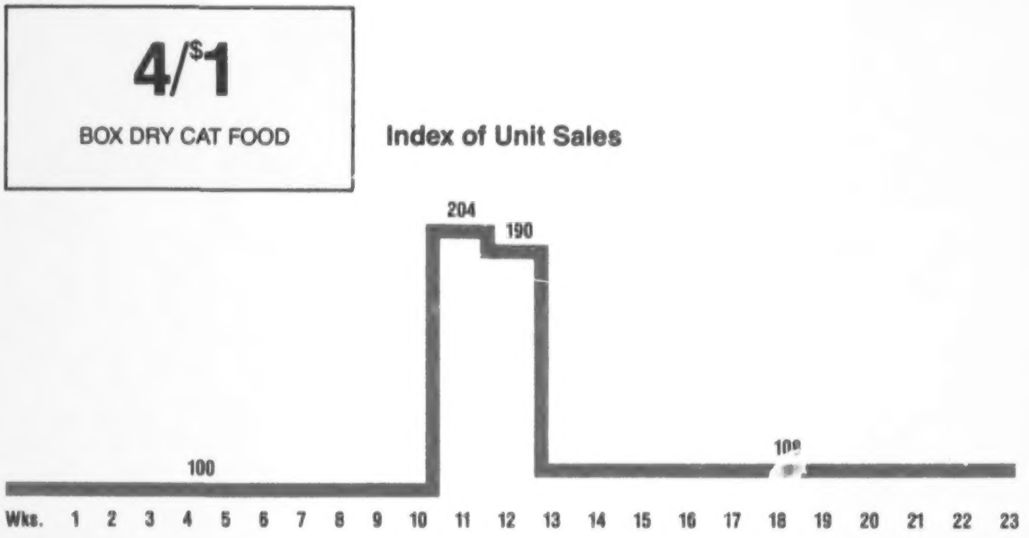


Chart 31

Scantrack Measurement of Display Effectiveness
(Equivalent Case Share)

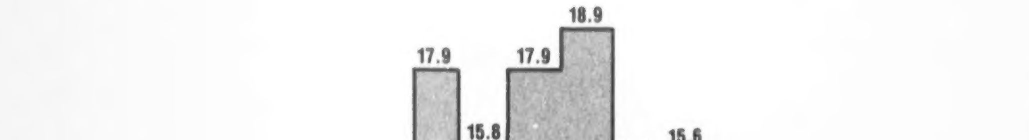
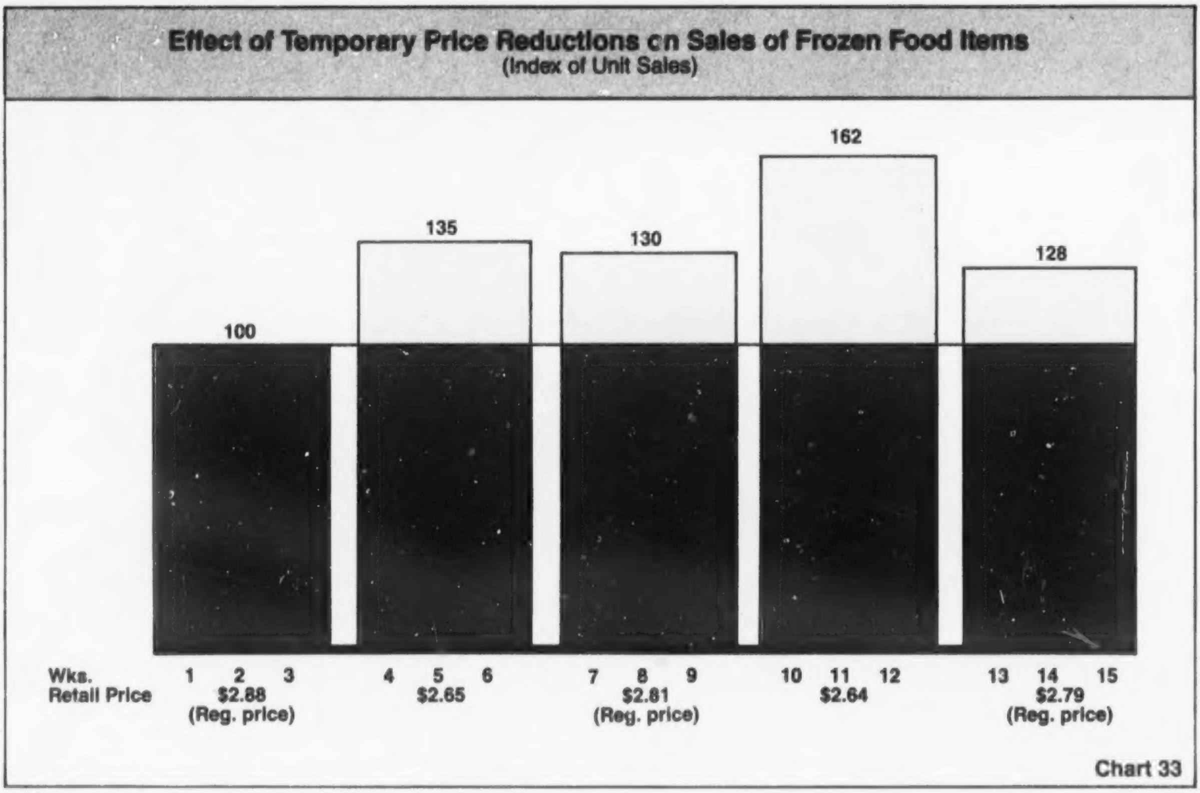


Chart 32



Effect of Temporary Price Reductions on Sales of Frozen Food Items
(Index of Unit Sales)

Chart 33

external. Seasonal patterns and such market disruptions as weather, product scares and shortages can seriously affect sales levels and shares.

These factors, although well publicized, are normally beyond the control of the manufacturer. However, specific decisions to adjust to them can be quicker and more accurate using scanning data. But, is this by itself enough to justify purchasing scanning data?

It would seem that the primary function of scanning data for the manufacturer should be to help him understand the effect on sales not only of these uncontrollable factors, but more importantly, of the marketing programs operating in a category.

Gauging the effectiveness of direct consumer activities—such as advertising expenditures and most couponing—is more definitive using scanning information. Weeks of data that coincide with ad waves or coupon drops can be accumulated to suit particular manufacturer needs—while recognizing that any analysis must also consider the cumulative effect of these franchise builders.

To really understand the effect of promotional and sales activities, some measure of their incidence is of utmost importance. Causal data can be that measure. Retailers have always had some idea of the success of their own promotions but have wondered how they stacked up against their competitors. Manufacturers often wonder if these activities benefit the retailer or the consumer. Scanning data supported by causal data can help answer both of these questions.

Causal data is a measure of store activities such as displays, newspaper ads and a variety of other in-store factors. Happily, the weekly periodicity of scanning data generally coincides with the time frame of promotion—the ad week. The display observation is tied to the part of the week when most sales occur.

Are in-ad coupons more effective than major ads? What kind of response do line ads get? Here are results of 89 local promotions from several retailers (Chart 28). Though not necessarily representative, these do provide some insights into those questions.

Next, let's look at some examples of specific promotions. The first (Chart 29) is an in-ad coupon on a popular size of a leading detergent. The coupon, for 40 cents off, ran in weeks 4 and 5 and again in week 9. The increase in sales are surprisingly

Sales Effect of Line Ads Without Display or Price Reduction
(Household Supplies—Index of Unit Sales)

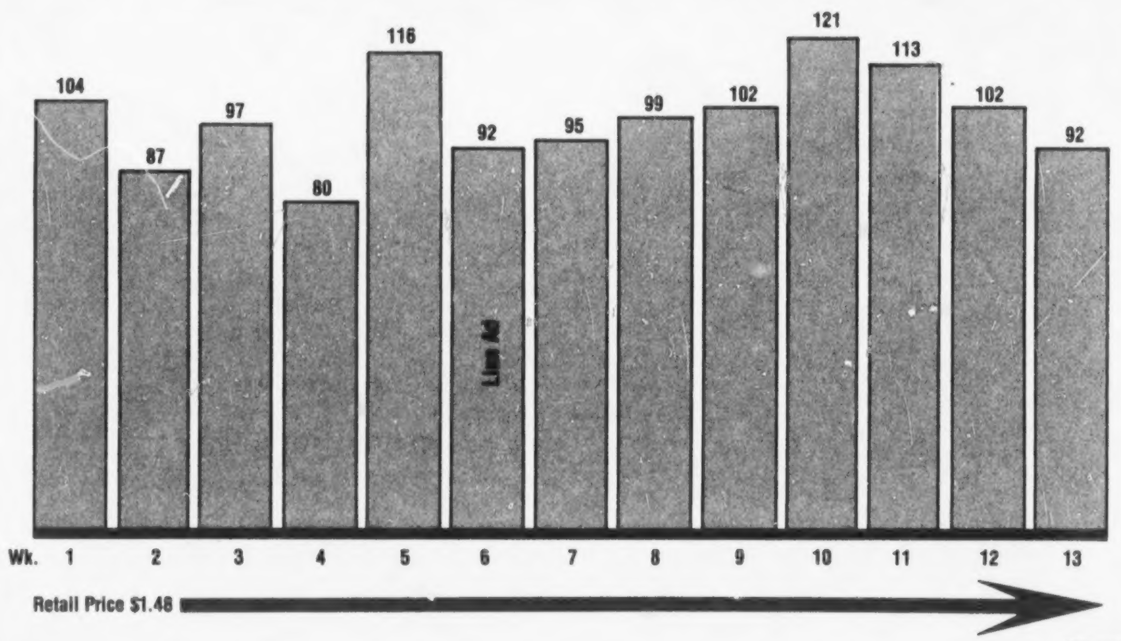


Chart 34

similar, and post-promotion sales levels indicate little consumer stockpiling.

A line ad with a price reduction on this popular analgesic (Chart 30) increased sales substantially when it ran in week 11. However, lower sales in the weeks after the promotion offset nearly all of the promotional gains.

Here's a major ad on a popular pet food line (Chart 31). The response when it ran in weeks 11 and 12 was far below the average for other major ads. Why? One answer might be that this ad contained no price reduction.

Almost all of the 89 promotions contained three elements—the newspaper ad, a display and a price reduction. Isolating the individual elements can help answer the question "Which is most effective in generating sales?"

Do displays and floorstands with no accompanying newspaper ad or price reduction increase sales share? This one did (Chart 32) for a nationally advertised HBA item. The 4-week floorstand increased share an average of 75% above predisplay periods.

Here is an isolation of a price reduction only (Chart 33). It is an example of a TPR (Temporary Price Reduction) so frequently used on the West Coast. This one did not have an accompanying display.

This is a line ad (Chart 34) with no display or price reduction (sometimes called an obit). It would be nearly impossible to guess the ad week from the sales pattern shown.

Testing in local markets can help determine the most effective promotion strategy for your brand. It can also help optimize stock location and facings, test packaging, optimize price levels and differentials, test POP (Point of Purchase) materials and so forth.

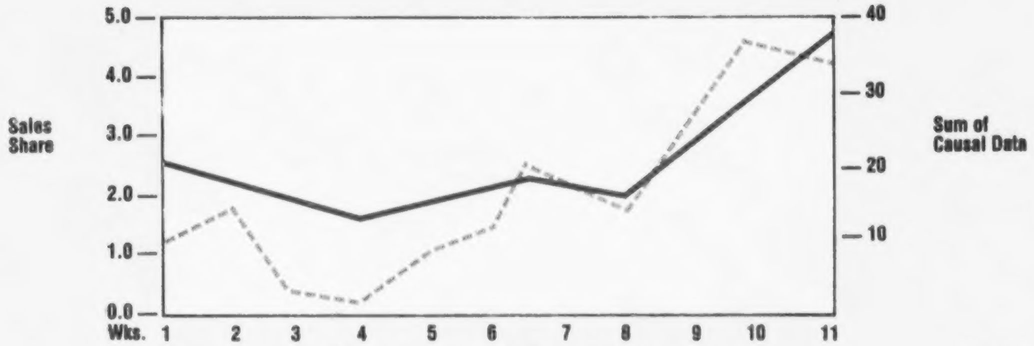
It's easy to focus on causal data at the local level, where they are most easily observed and tested. Are causal data a valuable part of national scanning information?

Causal data at the national level help answer these two key questions for the manufacturer:

1. Am I getting the price features, displays and retail ads I paid for?
2. How are competitive activities affecting my brand's performance?

The next example shows the high correlation between causal data activities and share over an 11-week period for an item in

National Scantrack Comparison of Share and Causal Data
Direct-Store-Delivered Item A



Correlation of Share and Causal Data .91

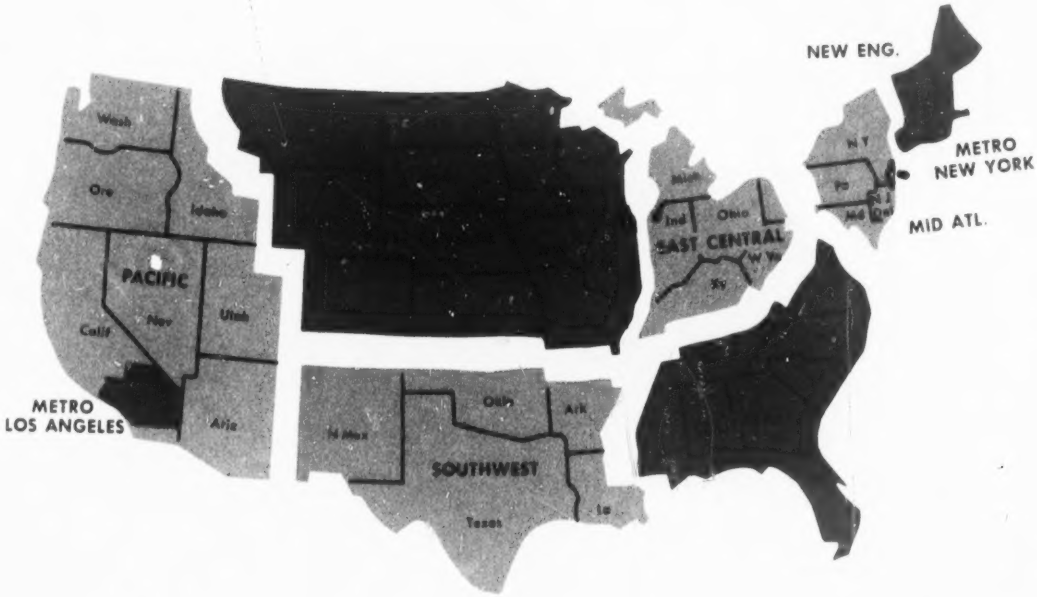
Chart 35

a category that's store-door-delivered. The high correlations (Chart 35) indicate similarity in week-to-week changes of the item's share and its related causal data rather than similarities in absolute level.

Since promotions are spread across performance periods, this causal data allow us to combine data from stores with similarities in merchandising factors whenever they occur. This makes possible a multitude of special studies based on data from multiple organizations.

The promise of scanning data is that it will help retailers and manufacturers make better merchandising and promotional decisions. Causal data should allow that promise to be fulfilled for manufacturers. Competitive, market or other benchmark data may provide retailers with the same diagnostic tool.

Nielsen Territories



NEW ENG.
METRO NEW YORK
MID ATL.
N Y
Pa
N J
Md
Del
Mich
Ind
Ohio
EAST CENTRAL
W Va
Ky
Wash
Ore
Idaho
PACIFIC
Calif
Nev
Utah
Ariz
METRO LOS ANGELES
N Mex
Okla
Ark
SOUTHWEST
Texas
La

A Special Note to Cooperating Stores

As most of you know, the original and still primary purpose of the Nielsen Annual Food Review is to provide our cooperators with the latest information available on the state, progress, and trends of the retail grocery industry.

We wish to extend our cooperators a friendly invitation to call or write us in those cases where additional details on subjects herein would be helpful. If the material is available, we will be more than happy to supply you with it.

Write:
Retailer Services Department
A.C. Nielsen Company
International Headquarters
Nielsen Plaza
Northbrook, Illinois 60062

Nielsen Marketing Research

A.C. Nielsen Company

Regional Offices:

ATLANTA
62 Perimeter Center East, N.E.
Atlanta, Georgia 30346
404/393-1010

BOSTON
40 William Street
Wellesley, Massachusetts 02181
617/237-6100

CHERRY HILL
Barclay Pavilion
Route 70
Cherry Hill, New Jersey 08034
609/795-5454

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333 W. Campbell Road
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Ft. Mitchell, Kentucky 41017
606/331-7800

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201/343-3600

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NORTHBROOK
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Northbrook, Illinois 60062
312/498-6300

WESTPORT
830 Post Road East
Westport, Connecticut 06880
203/226-6851

8
7
COLD CUTS
JUICES

***Long runs** of open multideck frozen food cabinets are becoming scarcer as retailers compromise on display to save energy dollars.*

Flexible mix key to frozens future

Perhaps no other section in the supermarket reflects recent changes in American society as closely as the frozen food department.

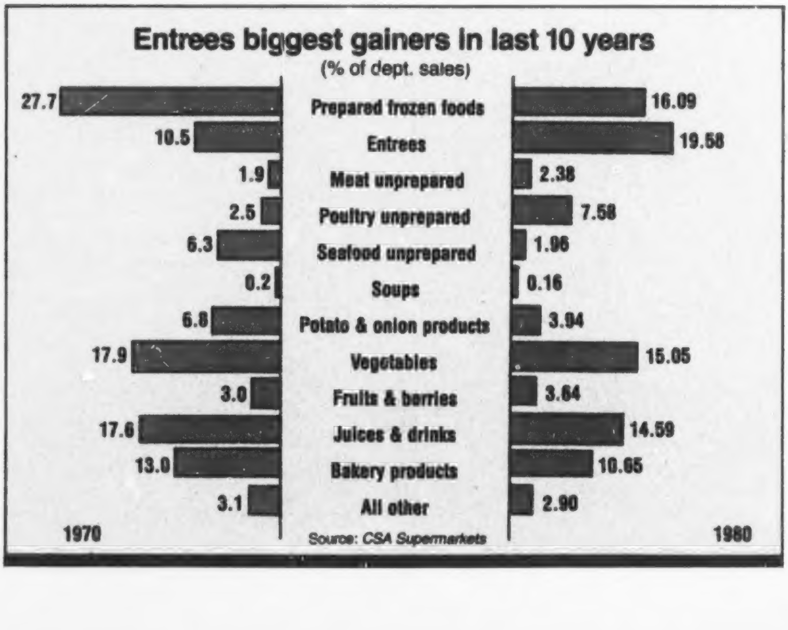
Buffeted by buying shifts created by more women working, economic pressures, energy problems and nutritional concerns, supermarketers are finding they must pay closer attention to product mix, merchandising techniques and case selection while keeping an ear cocked for future trends in order to maximize department profits.

Margins on this $11.5 billion category are hovering just under 30%—well above the average for supermarket products—so frozens represent some attractive profit opportunities. But it isn't easy to stay on top of the section. Perhaps the biggest difficulty is keeping up with the changing product mix.

Among the strongest reasons for product shifts are changes in lifestyles. According to the latest U.S. Census Bureau figures, one-person households now represent about 22% of the total, and two-person households, 31%—and the figures are on the increase. Moreover, about half of all women now work outside the home. These changes offer solid explanations for the trends toward entrees, the popularity of high-ticket, high-quality items, and the move toward smaller-size servings.

Apparently, many shoppers are willing to pay higher prices for dishes comparable to those it would take hours to prepare at home.

"Customers look for two things in frozen foods—convenience and quality," says the manager of a New England Stop & Shop, who cites the Stouffer line as a winning example. He adds that "entrees have increased again" in his frozen food department, which claims 7%-8% of total store volume, higher than average.


Entrees biggest gainers in last 10 years
(% of dept. sales)

Source: *CSA Supermarkets*

Smaller-size desserts are another reflection of the growing small-family market. Products like Morton's Great Little Desserts and Sara Lee for Two are particularly successful with this segment. Peg Ransom, a spokesman for Sara Lee, says that the Sara Lee for Two items are "now part of the basic line." She also points out that some products, like pound cake, can be merchandised to all-size households because the desired portion can be cut off and the remainder put back.

However, not all baked goods are experiencing sales growth. In fact, baked items have been hardest hit by price resistance from shoppers. Virtually all the frozen food suppliers point to the economy as the key element in the recent sales slump.

In addition, in-store bakeries may be syphoning off some of frozens' sales.

Microwave: With almost 20% of United States households now sporting microwave ovens, many frozen food processors are gearing their convenience foods to owners of the ultraconvenient oven. Many companies have changed their packaging, eliminating aluminum trays in favor of containers made of materials compatible with microwaves. Campbell Soup Co.'s Swanson division has gone a step further with its "Swanson Microwave Information Center" to answer consumer questions, publish brochures and prepare a newsletter.

The changes in the last decade indicate that supermarketers may do well to pay more attention to area demographics when planning their frozen food sections. Analysis of family size and income level can give invaluable clues to what kind of product mix to carry. While no one can predict what future changes may influence frozen food buyers, this kind of information should give retailers the opportunity to increase sales. ☐

Festival promos send sales soaring

What's the best way to add some life to a category that's flat? Promote it! That's just what the Frozen Food Action Communications Team (FACT) decided when they saw 1980 frozen food sales figures.

Last February, FACT sponsored a Frozen Food Festival, designed to bring frozen food packers, retailers and newspapers together in a major merchandising event. According to SAMI figures, the promotion produced an average tonnage increase for participating brands of 21.4%. The big winner was frozen chicken, with sales zooming a resounding 180%.

The positive results have inspired a sequel: Frozen Food Festival II, which began on Sept. 28. The month-long promotion is using the same successful techniques used in February, but is expected to be much larger. Special supplements are appearing in 194 newspapers, reaching 36.5 million households, according to the festival's sponsors. These 12-14-page special sections contain one billion coupons for frozen foods. They also include editorial material—recipes, meal plans, photographs and background information emphasizing frozens convenience and value—provided by FACT.

The highlight for consumers is a $100,000 cash sweepstakes. This contest will produce winners in each Festival market, and is designed so shoppers will have to read retail ads in order to obtain the information needed to enter.

Atlanta, New Orleans, Newark, Chicago and New York were among the markets with the highest level of retailer support in February. Among the supermarkets participating in the fall promotion are Super Valu, Pantry Pride, Foodarama, Stop & Shop and Piggly Wiggly.

Ethnic frozens speak language of profit

Frozen food sales may be flat overall, but frozen ethnic dishes are booming. Americans, forced by a tight economy to eat at home more often, are turning to foods with a foreign flavor to spice up their lives. The result is a bonanza for retailers who cater to these needs.

Chinese, Italian and Mexican dishes lead the way in popularity, with Mexican showing the most growth. Food with a south-of-the-border slant has finally begun to find a market outside of the Southwest and Far West, where it's been a winner for years. Although the areas close to Mexico itself still grab the lion's share of sales, inroads are being made across the country.

Retailers polled by *CSA Supermarkets* say that once shoppers try Mexican food, they like it. Retailers who promote the category can often open a whole new area that can be quite profitable.

FREE
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***Prepared vegetables** with ethnic twist are outpacing rest of frozen vegetable sales.*

Of course, Italian foods are still the biggest seller in the ethnic frozen market. Some dishes, like pizza, seem to have crossed the line from "ethnic" to "American." Other specialties, like lasagne, have been added to national manufacturers' lines as well as being sold by the Italian food distributors—and may follow in pizza's footsteps.

It seems clear that Americans are looking for something different to tempt their palates. Frozen ethnic dishes are answering the call. ☐

Dry rides high in pet food sales

Recent developments in the $4 billion pet food market have prompted retailers to make subtle but significant changes in their planograms.

For example, the growth of dry dog food sales in supers to $991 million has spurred many chain managers to add shelf footage to their pet foods departments.

Dry dog food tonnage has increased 35% in the past five years. It represents 68% of total dog food tonnage and 54% of dog food dollar sales.

"Overall we're allocating about 30%-32% more square footage to dry dog food," says one buyer for Safeway's Northeast division. He explains that brand name product proliferation has really boosted category sales. The degree of pet department expansion varies from store to store. To increase space in older units, larger bags of dog chow are now stacked up front by the registers. In new superstores dry goods occupy an average of '2 ft.

The cost of feeding canines is on the upswing, which has made economy-sized 10-lb.-and-over bags of dry dog food very popular. Meanwhile, canned and semimoist sales are suffering.

"Canned dog food is being cut back because it sold poorly last year," comments one buyer for Safeway.

"Semimoist is declining," reports Larry Santoro, grocery buyer for Smitty's. "It's a very stagnant market. New entries are almost nil."

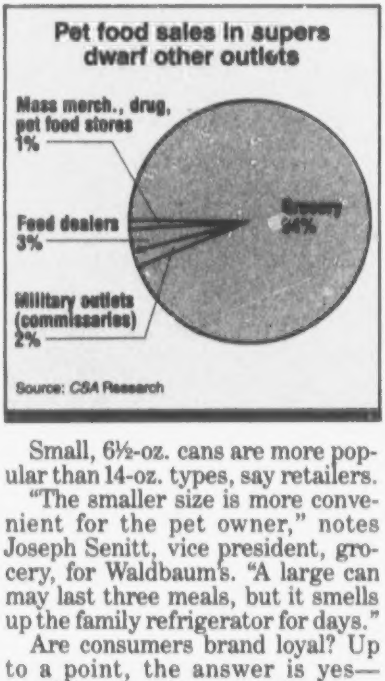
Even small independents are feeling the shift. "It used to be a 50/50 dry to canned ratio," says Richard Klar, buyer for O'Malia Food Markets, a five-store chain in Nobelsville, Ind. "It's now a 70/30 ratio in favor of dry."

Cat food sales are up across the board—dry, canned and semimoist rose an average of 34%.

Last year dry cat food made the greatest gains, up 46% in sales and approximately 6% in tonnage. Canned cat food still accounts for the majority—61%—of total cat food volume.

Retailers report no major additions in linear footage here. However, in the planogram shuffle Purina 100's goes in while some of the other brands fall out.

In-line supplies section makes effective tie-in with pet foods department.


Pet food sales in supers dwarf other outlets

Source: *CSA* Research

Small, 6½-oz. cans are more popular than 14-oz. types, say retailers.

"The smaller size is more convenient for the pet owner," notes Joseph Senitt, vice president, grocery, for Waldbaum's. "A large can may last three meals, but it smells up the family refrigerator for days."

Are consumers brand loyal? Up to a point, the answer is yes—providing that the price is the same.

"Among brand names, price affects sales tremendously," says Orville Carey, director of merchandising for Stater Brothers. "If their favorite brand sits beside a brand name competitor that is selling for 10 or 15 cents less, they'll pick the cheaper one."

Pet lovers may falter in their brand loyalty, but not in their ardent love of pooch. Dog snacks rose 14% in dollars and 3% in pounds last year. Snack food profits have enticed some perceptive retailers into making profitable merchandising moves. The managers at Smitty's enlarged pet snack sections to range from 8 ft. to 11 ft. and moved the category from last position to first place in the traffic flow.

Explains Smitty's Santoro, "Consumers are less apt to buy snacks after they've made their major pet food purchases. Putting them forward has increased our sales considerably." It helped total pet department profits, too; dog bone and jerky-type treats carry a markup that's 8% higher than that of dry dog food.

The general scene: A *CSA* survey of retailers reveals that brand name pet foods continue to ride strong even in these penny-pinching times. Private label is gaining slightly, catching some brand name trade-downs. Generics, with a tremendous rate rise, nevertheless account for only a small portion of supermarket sales. Most supers carrying generics claim their pet food line is basically a convenience offering. Chains like Ralphs and Jewel, which place much emphasis on generics overall, have had significantly higher turns with generic pet foods. At some Jewel units, generics even outsell national pet food brands. ☐

Feminine hygiene sales getting back to normal

All was serene in the $500 million feminine hygiene category until the fall of 1980. That's when a Center for Disease Control (CDC) report made national headlines by linking the use of tampons with toxic shock syndrome (TSS). Procter & Gamble's then-new "super absorbent" Rely brand, cited by the CDC as an "increased risk," had to be yanked from supermarket shelves altogether.

The dramatic CDC announcement had a seismic effect on traditional purchase patterns in the feminine hygiene section. After P&G pulled Rely, tampon sales slid even more than the 20% share that label held prior to the TSS crisis. Meanwhile, sales of sanitary napkins rose.

Experts, working through the media, told women to either change tampons more frequently or discontinue their use. Some followed the former suggestion, while others took the latter advice.

One year after the brouhaha, the question is: Did purchase patterns permanently change, or was it just a temporary reaction?

To find the answer to this question, the Scan Research Group of ALH & Associates studied 48 weeks of TRIM Inc., scanner data. The Scan Data Group utilized data from three different chains—86 individual supermarkets—so that differences among the operations could also be examined.

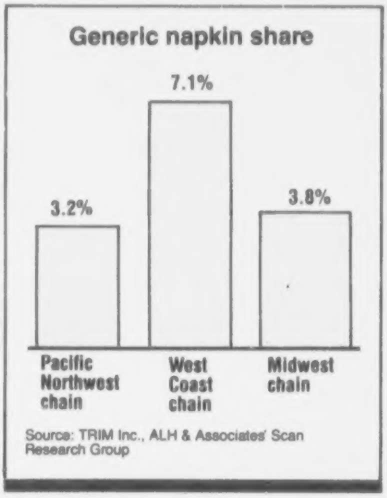
A large West Coast regional retailer that participated in this study showed little decrease in sales of non-Rely tampons, while also charting volume gains for napkins. Evidently, many women are using tampons and napkins in combination.

Napkin sales rose from $25.50 per 1,000 shoppers in the summer 1980 to $29.50 per 1,000 in the spring 1981. Sales of tampons other than Rely also showed an increase at the same chain's units. Tampon incidence of purchase increased from $14.20 before the CDC dropped its bombshell to $15.50 in the latest reporting interval. Interestingly, tampons compiled this excellent performance despite the fact that the retail operation in question dropped one brand from the product mix.

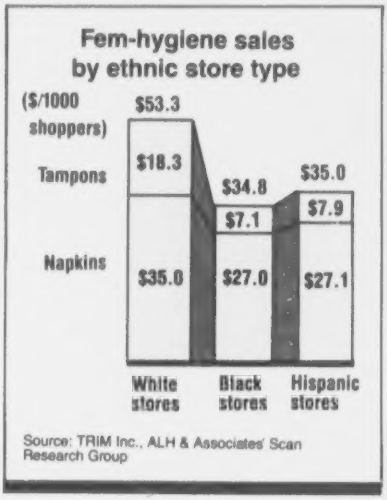
Napkins' purchase incidence rose significantly at the Midwest chain that participated in the study, going from $20.25 in July-September 1980 to $28.60 in June 1981. Non-Rely tampon brands in the same stores boosted purchase incidence from $11.20 to $12.90.

A similar pattern emerged in the Pacific Northwest chain studied. Sales of napkins zoomed 30% ($10.70 to $13.90), and non-Rely tampons also improved significantly ($7.80 to $10.20).

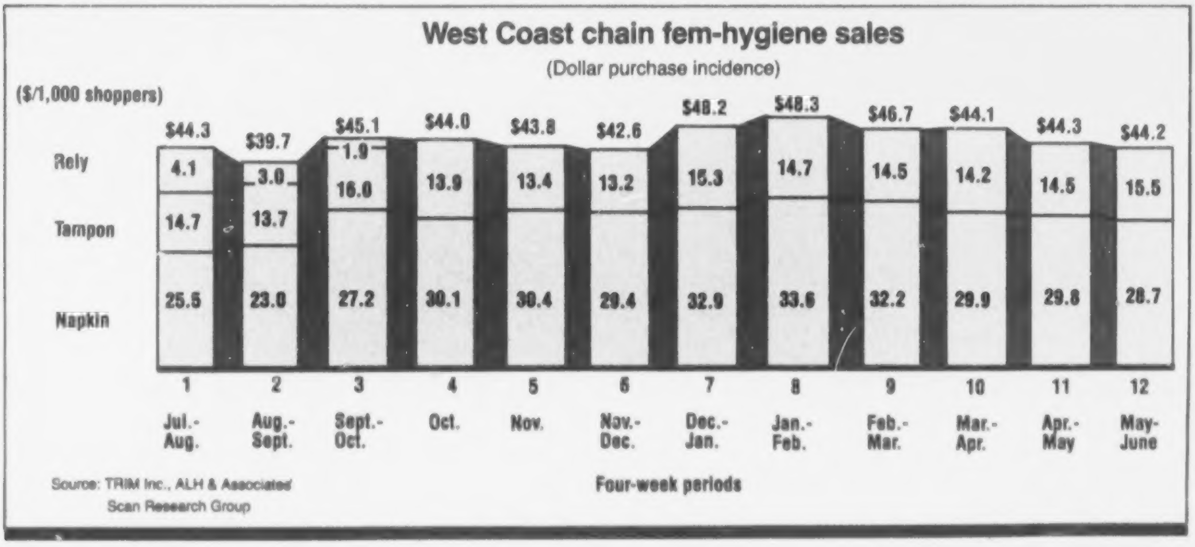
In all three cases, the major beneficiary among tampon brands was Tampax, the traditional sales leader in that category.


Generic napkin share

Source: TRIM Inc., ALH & Associates' Scan Research Group

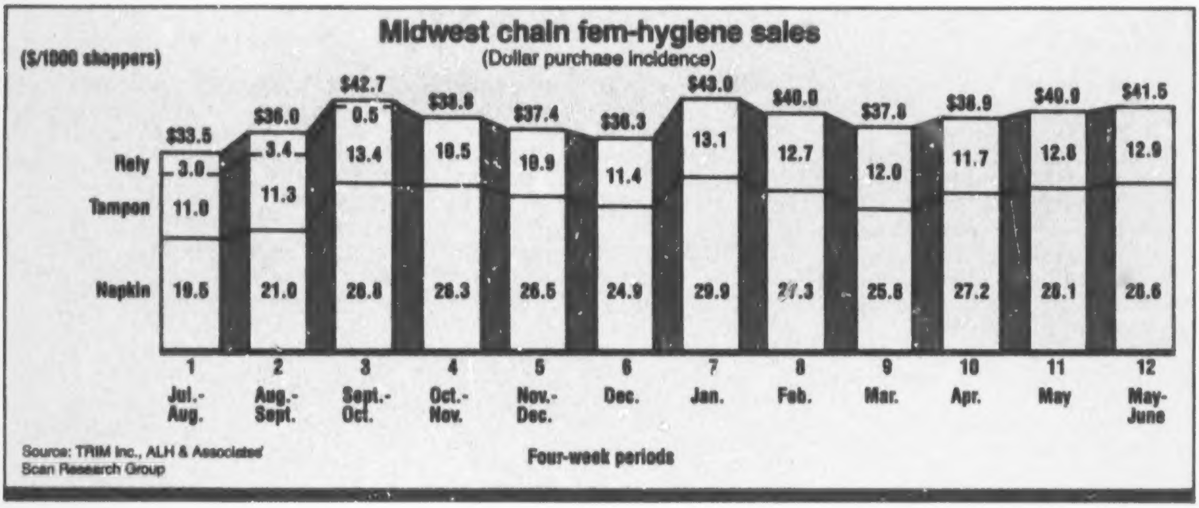

Fem-hygiene sales by ethnic store type

Source: TRIM Inc., ALH & Associates' Scan Research Group


West Coast chain fem-hygiene sales

(Dollar purchase incidence)

Source: TRIM Inc., ALH & Associates' Scan Research Group


Midwest chain fem-hygiene sales

(Dollar purchase incidence)

Source: TRIM Inc., ALH & Associated Scan Research Group

Generics are becoming a force within the feminine hygiene category. Although the three chains that participated in the study have not yet premiered generic tampons, all have no-brand napkins.

So far, however, the impact has not been as great as in some other store categories such as paper towels. Generic napkins have grabbed 7.1% of the business at the West Coast chain, 3.8% at the Midwest outfit and 3.2% in stores operated by the Northwest retailer.

There's no question that significant sales increase for napkins have occurred since the TSS scare. The higher volume derives both from the spur provided by numerous new products and the tampon scare, which encouraged many women to try new napkin, pad and liner items. The tampon subcategory, meanwhile, appears to be returning to normal, scoring sales gains in line with traditional performance patterns.

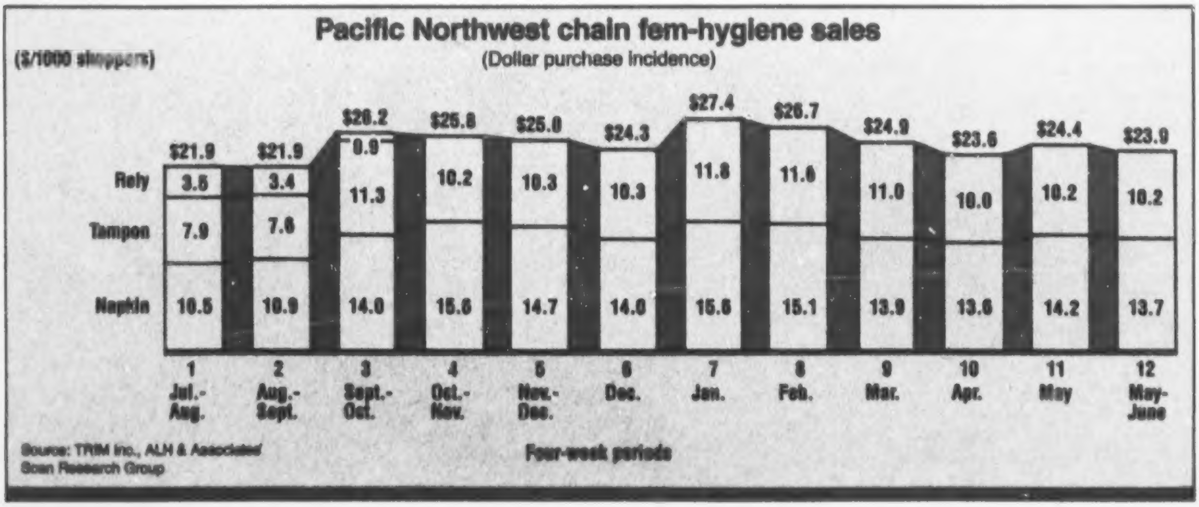
A study of three groups of stores from a single chain indicates that there is a sharp difference in sanitary goods purchase patterns among major ethnic groups. ALH & Associates scrutinized three groups composed of seven stores each, selected because of their preponderance of white, black and Hispanic shoppers.

The supers with a predominantly white clientele generated higher feminine hygiene sales than the other two groups of supermarkets, $53.50 for whites vs. $34.80 for blacks and $35 for Hispanics.

By the same token, however, napkin sales were higher in black-shopped stores than in white or Hispanic ones. (Since the data was collected after the TSS scare, it is believed to represent the current purchase pattern.)

The researchers also investigated ethnic purchase patterns for feminine deodorants, douches and sprays. Retail outlets patronized primarily by blacks logged higher volume than those shopped most heavily by whites and Hispanics. At $8.17 per 1,000 shoppers, the purchase level in the black stores was more than twice as high as for whites ($3.32 per 1,000 shoppers).

Although the supermarket selection of contraceptive products is rather limited, the study also looked into movement of contraceptive creams and gels. The purchase incidence by white shoppers ($1.44) was triple that by blacks ($0.46) and twice that for Hispanics ($0.60).


Pacific Northwest chain fem-hygiene sales

(Dollar purchase incidence)

Source: TRIM Inc., ALH & Associated Scan Research Group

Wetterau resists 'unfriendly' bid

Empire Inc., a propane distributor, has made a tender offer for 16% of Wetterau Inc. Success of the offer would make Empire the wholesaler's largest stockholder, owning about 21% of the firm.

Wetterau is vigorously opposing the takeover bid, seeking a friendly investor while suing Empire in Federal court.

In the suit, filed in Kansas City, Wetterau ($2 billion in sales) claims that Empire made false and misleading statements in the tender offer. It accuses Empire of planning to purchase all tendered shares, not just the 1.2 million it said it was seeking, in order to gain control of the firm.

Wetterau said that Empire intends to use the wholesaler as a cash cow, in order to satisfy loan obligations.

The suit also charged that Empire and Robert W. Plaster, its president and chairman, have a reputation for a "lack of integrity and unethical business practices." Among the examples cited was a court case in which Empire and Plaster were accused of aiding and abetting the illegal possession of a bomb, allegedly to be used to destroy a competing company's tank truck. Both Empire and Plaster were acquitted.

Wetterau has retained Saloman Bros., an investment banking company, to seek alternative offers, either for a substantial interest or for the whole company. Apparently, they also hope to obtain a better price than the $21-a-share offered by Empire.

The company has also hired Wachtell, Lipton, Rosen & Katz, a New York-based law firm with extensive experience in takeover fights.

Mott's first-half income soars

Connecticut-based Mott's Super Markets recorded a blistering 61.7% rise in net income to $2,304,816 for the first half of this year. Sales for the six months ended July 4 added 13% to the figures from the same period a year ago, hitting $144,379,048.

The 25-store chain attributed its sparkling results to the Management and Analysis Planning System (MAPS), saying that the program is increasing the effectiveness of plans to reduce shrinkage, provide cost savings and improve efficiency.

The ShopRite affiliate also credited a series of in-house training seminars for management personnel with contributing to the improved bottom line.

Mott's strong financial position, says the company, will allow growth to be achieved mainly with internally generated funds.

Grand Union's net holds steady

Grand Union reported first-quarter sales up 22% and earnings unchanged from a year ago in figures that included results from the recently acquired J. Weingarten chain.

Sales for the quarter ended July 18, 1981 reached $1,283,094,000, while net income totaled $8,465,000. Company chairman and ceo, Patrick A. Deo, cited "intense competition" and rising utility and store operating costs as affecting the results.

Patrick A. Deo

The 857-store chain also obtained a $2,140,000 reduction in the provision for income taxes during the first quarter by entering into a three-year tax sharing agreement with Cavenham Holdings Inc., one of its parent companies.

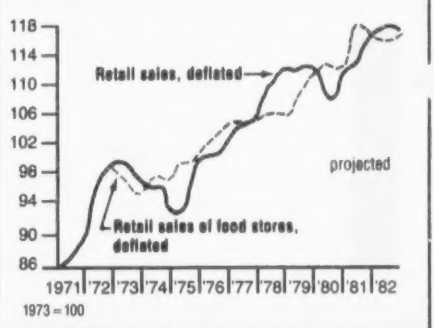
Supermarket Financial Scoreboard

Operation	Period	Date	Sales	% Inc./ Dec.	Net Income	% Inc./ Dec.	Net-to-sales ratio
Bruno's	Year	7/4	$ 488,249,000	21	$10,968,000	27.3	2.24
Winn-Dixie	Year	6/24	6,200,167,000	15	95,395,000	3.7	1.54
Seaway Food Town	9 mos.	6/27	319,496,000	20	3,899,000	20.2	1.22
Albertson's	6 mos.	7/30	1,671,043,000	13	21,773,000	24.6	1.31
Arden Group	6 mos.	7/4	259,000,000	7	2,344,000	18.9	0.91
Lucky	6 mos.	8/2	3,428,000,000	12	38,261,000	—	1.12
Mott's	6 mos.	7/4	144,379,048	13	2,304,816	61.7	1.60
Supermarkets General	6 mos.	8/1	1,446,225,000	16	9,574,000	(−1.0)	0.66
Grand Union	3 mos.	7/18	1,283,094,000	22	8,465,000	—	0.66

Source: *CSA Research*

Figures in parentheses denote a loss.

Food sales step up sharply in Oct.



Food stores

	Sales change by quarter								12-month % change		
	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81 1Q %	'81 2Q %	'81* 3Q %	'81* 4Q %	'79 %	'80 %	'81* %
Sales include inflation	11.0	10.3	11.2	10.6	10.5	10.5	7.9	7.5	12	11	9
Real sales (deflated)*	5.8	4.9	2.0	-0.6	-1.4	0.3	2.6	5.8	2	3	2

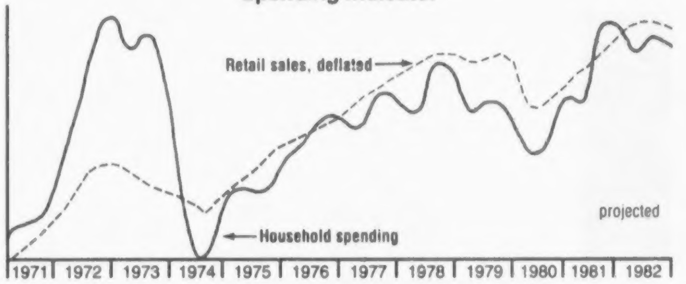
Base = June 1981 sales
*Projected

Food store and supermarket operators continue to "glow" over better-than-expected sales results in the face of a generally tougher general retail climate. In fact, sales in the nation's supermarkets are expected to step up sharply in October to nearly 6% higher than October a year ago. The Econocycle projection pegs the increase at 5.8%.

This rate-of-gain is more than double the increase projected in the competitive eat-out (food service/restaurant) sector—and the gap is expected to widen through the final months of 1981, current Econocycle projections reveal.

Even more favorable is the outlook for the fourth quarter, which Econocycle now projects at 5% plus (compared to a 2.6% gain in the just-concluded third period).

Spending indicator



Sales/include inflation
% change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	-8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	-9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	-1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q	10.2	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	11.9	10.5	11.9	15.4	11.1	8.8	8.2	11.8	10.4
	3Q*	10.3	7.9	11.9	13.9	9.7	7.2	8.2	10.6	9.3
	4Q*	9.4	7.5	9.5	5.5	6.3	7.2	7.2	7.0	7.1
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	6.0	9.0	10.0
	1980	7.0	11.0	9.0	-3.0	12.0	5.0	5.0	6.0	5.0
	1981*	10.0	9.0	10.0	11.0	9.0	8.0	8.0	9.0	9.0

Real sales (deflated)*
% change by quarter

		Total retail	Food	Eating & drinking	Building materials hardware	Drug	Furniture & appliance	Apparel	General merchandise	GAF
1980	1Q	-1.2	5.8	0.0	-2.6	3.8	4.9	-1.4	1.9	1.8
	2Q	-5.0	4.9	-0.1	-17.6	2.0	-3.4	0.5	-2.4	-2.0
	3Q	-4.2	2.0	-0.9	-18.5	0.5	-5.8	-0.2	-3.4	-3.3
	4Q	-2.9	-0.6	-1.8	-10.4	3.9	-1.1	1.5	-2.0	-1.1
1981	1Q	0.7	-1.4	-2.1	-1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.4	0.3	2.8	6.3	1.2	3.1	4.0	5.2	4.5
	3Q*	3.4	2.6	3.9	5.1	1.4	2.3	4.7	5.2	4.5
	4Q*	4.0	5.8	2.6	-2.7	-0.5	0.5	4.7	1.6	2.1
% change 12 mos.	1979	1.0	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980	-3.0	3.0	-0.7	-12.0	2.0	-1.0	0.1	-1.0	-1.0
	1981*	3.0	2.0	2.0	2.0	0.6	2.0	5.0	3.0	3.0

Base = June 1981 sales
*Projected

Total sales for all retailers in October are expected to roll up at a 4.1% rate-of-gain, but dramatic slowdowns in key sectors continue to "drag" at better-than-expected results in the grocery, department store and apparel specialty fields.

The L/F Econocycle projection for supermarket/food retailing is for increasing strength and above-par sales increases over the next two months—to produce one of the industry's better sales periods in some time.

The long-range view is for a 5.8% sales gain in the final three-month period of 1981, with a rising rate-of-gain going well into 1982.

Other retailers that are also on strong surges in the final months:

- Department stores are being clocked at a 6.1% rate-of-gain this month—and will be running ahead of all other retail sectors for the first time this year.
- Apparel specialists are almost certain to post "matching" gains of 5% for both 3rd and 4th quarters.

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Dept. of Commerce.

Where an *Index Base* is indicated, all data is converted to index numbers, starting from a common base (=100) in order to establish meaningful performance comparisons.